Supreme Court of the United States

OCTOBER TERM, 1973

No. 73-38

UNITED STATES OF AMERICA,

Appellant,

—v.—

MARINE BANCORPORATION, THE NATIONAL BANK OF COMMERCE OF SEATTLE, WASHINGTON TRUST BANK, AND JAMES E. SMITH, COMPTROLLER OF THE CURRENCY

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF WASHINGTON

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Order of the Supreme Court noting probable jurisdiction, dated October 15, 1973 1973

[967] UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT TACOMA

[Filed in the United States District Court, Western District of Washington, Jun. 22, 1973, Edgar Scofield, Clerk, By M., Deputy]

No. 237-71C2

UNITED STATES OF AMERICA, PLAINTIFF

vs.

MARINE BANCORPORATION; THE NATIONAL BANK OF COMMERCE OF SEATTLE, ET AL., DEFENDANTS

WILLIAM B. CAMP, COMPTROLLER OF THE CURRENCY, INTERVENOR

TRANSCRIPT OF PROCEEDINGS held in the above-entitled and -numbered cause in the above-entitled court before the Honorable WILLIAM N. GOODWIN, United States District Judge, on Tuesday, January 16, 1973, at the United States Courthouse, Tacoma Washington.

VOLUME VII

[968] APPEARANCES

RICHARD J. TORRE,
ALLAN S. HOFFMAN,
PHILIP L. VERVEER, and
RONALD SILVERMAN, Attorneys, Antitrust Division, Department of Justice, appearing for and on behalf of Plaintiff;
JAMES WILLIAM JOHNSTON and
R. A. MOEN (of Graham, McCord, Dunn, Moen, Johnston & Rosenquist), and
DANIEL M. GRIBBON, and

CHARLES LISTER, (of Covington & Burling), appearing for and on behalf of Defendants;
JON HARTMAN and
THOMAS McLACHLEN, appearing for and on behalf of Intervenor.

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[969] THE COURT: All right, Mr. Hartman.
MR. HARTMAN: Your Honor, the intervenor calls Mr. H. Joe Selby.

H. JOE SELBY,

called as a witness by and on behalf of the intervenor, being first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. HARTMAN:

Q Would you please state your name?
A H. Joe Selby.
Q And your address?
A 3015 Monta Vista Terrace, Portland, Oregon.
Q What is your position?
A I am the Regional Administrator for national banks for the Thirteenth Region.
Q And what is the thirteenth region?
A It consists of five states, Alaska, Washington, Oregon, Montana and Idaho. We have 97 banks with 918 branch offices, with total resources of all of the banks in excess of fourteen billion.
Q And when did you become the Administrator of this region?
A In April of 1970.
Q What in brief and in general are your duties as [970] administrator?
A Well, primarily I am the Comptroller's representative for the five states, and through the examination process we insure the condition, liquidity and solvency of the national banks. We do this in the five states. I

also investigate and make investigations on application for charters, relocations and mergers. And further, with a staff of 92 people I have administrative duties in connection with personnel.

Q Would you trace for us briefly your personal history and experience in the field of bank regulation?

A I got a Bachelor of Business Administration degree in banking and finance from the University of Texas, I went with the Comptroller's office in 1954. Since that time I have attended seminars and schools, and taken correspondence courses, but primarily my experience has been with the Comptroller's office. In Region 11, which is headquartered in Dallas, Texas, from 1954 to 1968, I progressed from assistant examiner to examiner, to supervisor examiner of Oklahoma, to deputy Regional Administrator. As examiner, I not only examined the national banks, I later became city examiner for Houston where I did conduct charter investigation and merger investigations. And as deputy Regional Administrator I reviewed applications and made recommendations to the [971] Regional Administrator. From 1968—in 1968 from 1954 to 1968 I was in Dallas, and in 1968 I went to Washington as assistant Chief National Bank Examiner. In this position I was responsible for four of our regions and directly accountable to a deputy comptroller.

[972] Q Now, since you were appointed as Administrator in April of 1970, have you had occasion to consider applications for new bank charters or mergers and for branches of national banks?

A I have.

Q Will you tell us, please, what are some of the important considerations that you used in looking at an application for a new bank charter?

A For a new bank charter?

Q Right.

A Well, the basis for any new national bank charter is—Is there a demonstrated need—and to ascertain that need. We look at a lot of factors, we look at the banking structure as it exists in the area, the size of the banks. We also look at the deposit structure of the financial institutions and that includes commercial banks, mutual

savings banks, savings and loan, credit unions. We look at the economic factors relative to the area, where the deposits come from, is its population growing, is there a reasonable assurance that there is sufficient economic activity. We look at the anticipated deposit growth of the new bank, where are they going to get their deposits from, are they going to compete in getting new deposits or are they merely going to take away from existing institutions, financial [973] institutions. All of these factors we consider.

Q Are these the only factors you consider?

A No, we also look at the capital adequacy of the proposed bank, the adequacy of the management, the financial and biographical background of the organization and the shareholders.

Q Based on your experience, how, approximately, what is your feeling as to how long it takes for a newly chartered bank to become profitable?

A Well, we never anticipate a new bank becoming profitable in less than three years and more likely it will take closer to five years. At least, that is in our experience, it depends on where the bank is located, also. A new bank in a rural area might be more successful quicker than, say, one would be in a metropolitan area because you have to consider increased expenses and a little more expertise in management that has to be obtained.

Q Now, what considerations do you look for when the issue before you is an application to merge?

A Well, we consider several factors. Financial history and condition of the merging banks, the character of the management, the earnings potential, the capital adequacy; primarily we are concerned with the convenience and needs and the effect on competition.

[974] Q Now, did you consider these factors in this case?

A I did.

Q What did you conclude?

A I concluded that the merger would be pro-competitive in that it would allow the National Bank of Commerce to enter the Spokane market with an adequate

base with which to compete with the Seattle-First National, the Old National and Pacific National Bank.

Q Now, Mr. Selby, the plaintiff has alleged that there are alternative means whereby N B of C in Spokane can accomplish the same thing. First of all, let me ask you: Can N B of C as a national bank enter a branch bank de novo in Spokane?

A No, they cannot. We'd love to have them be able to but we are covered by the restrictive state statutes on branching.

Q Now, it is claimed that the N B of C could sponsor a bank and merge it, and I ask you, is that a reasonably effective method of entry?

A Well, I don't think it is. Based on my knowledge of the Spokane market and the factors existing, I do not think it is reasonable to assume that a new bank could be chartered for Spokane. The number of banking institutions in Spokane is adequate and assuming that a new bank application met all of our requirements or [975] need, demonstrated need, there still would be no way that the National Bank of Commerce would assure themselves that they would acquire a newly chartered bank because we do not allow the organizers or the shareholders of a new charter bank to enter into any oral or written agreements providing for the sale or disposition of the stock of the new bank. So, they could have no reasonable assurance that when the bank got going that they could acquire it. We certainly wouldn't charter a National bank and hold it for a large bank and we certainly wouldn't dismiss our responsibility to insure that the condition of the bank is maintained in a satisfactory manner. If we didn't assure ourselves that the bank could succeed, then we wouldn't have done our job, and if we had done our jobs then the bank will not be forced to the decision of having to sell out.

Q What would you do, Mr. Selby, if a group of people came to you and asked for a charter for the sole purpose of branching into Spokane?

A Well, that would be in effect de novo entry into Spokane which is not permitted by state law and we wouldn't accept the application.

Q How about the National Bank of Commerce' acquisition of the small, as the plaintiff calls it, a toehold or [976] foothold entry into Spokane? Is that a reasonably probable way to effect entry?

A Well, first of all, I don't know of any bank that would be for sale in the Spokane area of the size that they are indicating. The American Commercial Bank, as it was brought out in the hearing still is under the limitations imposed by the State when it was chartered and I also understand it is not for sale. The only other bank that I know of would be the Farmers & Merchants Bank of Rockport at Opportunity and I don't know whether it's for sale or not, but in any case, acquiring that bank in a suburb of Spokane would not be entry into Spokane, in my opinion.

Q What about the National Bank of Commerce simply buying a branch of the banks in Spokane?

A I can't imagine anyone who would want to sell a branch, to begin with. We charter, we give charters for branches, and I can't see any national bank selling a branch that we have chartered and then later having to come to us and ask for another branch, so I don't think I would be willing to review their branch expansion in the future with any favorable concern.

MR. TORRE: Your Honor, I would object to the answer as being speculative.

THE COURT: Well, I don't think it's very [977] speculative, he says he wouldn't review their application, that isn't speculative, he just says—period—. Isn't that right?

THE WITNESS: That's right.

MR. TORRE: Also, your Honor, he doesn't have the final authority in such actions.

THE COURT: Well, he is a pretty good authority. He recommends to the Comptroller of the Currency, I take it, for Region 13, and for whatever it's worth, it's the weight of it, so I think he is entitled to say it and then I can determine what weight I wish to give it. All right.

[978] THE WITNESS: Finally, assuming that a national bank has a branch or even a state bank for that

matter, has a branch that is not in a good location, that is not profitable, then they would relocate it. They would follow their customers to the new area.

Q (By Mr. Hartman) Let me ask you what about a contract which provides for the application to your office for a conversion of the Farmers and Merchants Bank into a national bank and relocation in downtown Spokane and finally its acquisition by the National Bank of Commerce?

A Well, I don't see how I could possibly accept an application like that to begin with. I think it is tantamount to circumvention of state law.

Q Finally, Mr. Selby, you testified that you considered competition and convenience and needs of the community insofar as this acquisition is concerned; do you believe that any of these methods that we have just talked about, these methods of entry, will provide a reasonable alternative way to achieve the benefits that you saw in this merger?

A I do not.

MR. HARTMAN: That's all I have.

THE COURT: Do you have any questions of him?

MR. MOEN: No questions, your Honor.

THE COURT: Mr. Torre.

[979] CROSS-EXAMINATION

BY MR. TORRE:

Q Mr. Selby, do you have authority to grant bank charters?

A I have authority to make recommendations to the Comptroller on our investigation in the field.

Q And you only make recommendations with regard to granting branch charters? You do not grant them on your own authority?

A That's correct, I do not sign the final approval or disapproval.

Q And the same applies to permission to branch and merge?

A That's correct.

Q And relocate?

A That's correct.

Q Who has the authority?

THE COURT: Counsel, this is a good illustration of something that should never even be in the record. I already know the Comptroller is the one who has the authority to grant bank charters. So what are we proving to me?

MR. TORRE: I am trying to make a complete record in a logical, coherent line of questioning.

THE COURT: I think appellate judges would know the Comptroller has the authority, not the Regional Administrator. But, go ahead.

[980] Is it true that only the Comptroller has authority to grant bank charters?

THE WITNESS: Yes.

THE COURT: And the authority is solely vested in him, is that correct?

THE WITNESS: Yes.

THE COURT: Go ahead.

Q (By Mr. Torre) How does he make such a decision?

A Well, he asks for recommendations, that's why we conduct a field investigation. I think the people in the region are a little closer to this situation than the people in Washington, so that's where it starts. We make a field investigation here, and I analyze it and send it to Washington, then we have an administrative process in Washington that the final decision, when it is reached, is by the Comptroller.

Q So, therefore, other recommendations are made to the Comptroller also, is that correct?

A That's correct.

Q Do you receive copies of those recommendations?

A No, I do not.

Q Are you consulted or brought back to Washington to enter into discussions with regard to the recommendations in the normal course of the business?

A I'm not brought back to Washington. I am consulted [981] perhaps on the telephone at later dates if my recommendations—there is some question about it.

Q Are you aware of all the other recommendations made to the Comptroller?

A No, I'm not.

Q Therefore, the only thing that you know about is what you recommended?

A That's correct.

Q Do you know whether the Comptroller will rely solely on your recommendations?

A I'd like to think he relies to a great extent on my recommendations.

Q But you don't know what he relies on?

A No, I do not know what he relies on.

Q The only thing you can speak to is as to what you would recommend, is that correct?

A That's correct.

Q Have there been instances where the Comptroller did something that you didn't recommend?

A Do you mean go against my recommendation?

Q Yes.

A Yes.

Q With regard to the acquisition of foothold banks, is it normal for banks to advertise themselves for sale or put for sale signs out on their front?

[982] A Not normally, but just like anything, there is a communication system among banks, and generally it's pretty well known if banks are for sale or if they are not for sale. That is not to say that you may hear one is for sale and it will not sell.

THE COURT: I would like to hear you state that question again, do banks put a for sale sign out on the front, is that what you're asking him? Now, honestly, counsel,—

MR. TORRE: Well, your Honor, honestly the witness, I mean—

THE COURT: I think that is real funny because—

MR. TORRE: I though what he said was funny too.

THE COURT: Maybe you did, but I think what you said is funnier, put a for sale sign on the window of the bank. I imagine that the depositors would be real happy with that.

All right, let's go ahead and ask the next question.

Q (By Mr. Torre) So, therefore, isn't whether a bank is going to be sold or not rather confidential and personal to the people that have the bank—the stock in the bank?

A Generally, yes.

[983] Q And one day they may not sell but they may receive an offer the next day that will induce them to sell, is that right?

A Yes.

Q So you couldn't speculate on whether the American Commercial Bank is for sale or not?

A I was just going on the information that was presented at my hearing and that was that Mr. McCarthy indicated that the bank was not for sale.

Q And who is Mr. McCarthy?

A He is the superintendent of banking.

Q Did he testify at the hearing?

A No, he didn't.

Q So how do you know it is not for sale?

A Well, I believe that he stated that in a letter.

Q He stated in a letter. And how did he know?

A Well, he supervises the American Commercial Bank, so I assume they told him.

Q So in the knowledge of his part of the personal desires would be speculative?

A I would assume so.

Q And isn't it a fact that the American Commercial stock is very widely held and scattered over a large number of stockholders?

A I have no knowledge of the American Commercial Bank, I [984] don't supervise it, and I don't know who owns it, or how many shareholders there are.

Q With regard to de novo branching into Spokane via a national bank, are you familiar with the application of the Bank of California to open a de novo branch in the City of Seattle?

A To relocate their existing banks and establish a branch, yes.

Q And are you familiar with the decision of the Comptroller that allowed that branching to take place?

A I am.

Q And are you aware that in that decision he indicated that it was arguable that a national bank could branch de novo? That they could branch de novo in the State of Washington?

A The only thing I recall about the decision is that the state law of the State of Washington refers to where the bank is located, and the Comptroller in his decision contended that the Bank of California was located in Seattle, and that is all I know.

Q You don't recall a statement in the footnote of that decision?

A No, I do not.

Q On what authority do national banks branch? Isn't it under the National Banking Act that they branch?

[985] A It is. It says that state banks can branch, and that national banks can branch.

Q And state banks are classified as saving banks, among other things, trust companies, et cetera, is that right?

MR. MOEN: Your Honor, I am going to object to this. I don't think the witness is qualified to answer this.

THE COURT: Well, let's get it over with. Go ahead and let him answer. He probably knows.

A I am trying to think how the statute is worded.

THE COURT: That, Mr. Moen, is in derrogation to our great belief among lawyers that we are the only ones who can interpret a statute. I don't believe that, I think he could too.

A I was under the impression that it just said state banks. I could be wrong on that.

Q So again you are not that familiar with the statute to say that they could not branch de novo, or they could, is that true?

A Well, I am acquainted with the State of Washington statute which I interpret to mean that national banks cannot branch anywhere that state banks cannot branch in the State of Washington.

Q But you said that state banks branch under the national [986] Banking Act?

A Subject to the state statute. We would be very happy to ignore the state statute and branch anywhere,

national banks, we would be happy to, but then we wouldn't be competing with state banks, state banks would be restricted, and national banks could branch anywhere.

Q But the National Banking Act doesn't say that you shall branch under the state law, is that right?

A I believe that is correct.

Q And state banks, if you agree, are defined as savings banks—

A Does the statute say savings banks, mutual savings banks?

Q It says savings banks.

A Is a mutual savings bank a savings bank? Is it that under the definition?

THE COURT: Well, we got a little derailed there. We are going down the side track, so let's get on the main line again.

Q With regard to your statement that you would permit a conversion of a state bank into a national bank and then a relocation—

MR. HARTMAN: That is not what he said.

Q Well, could you state what you said with regard to conversion?

[987] THE COURT: What he said, as I recall it, is that if some national bank sold a branch, sold to another national bank, if that happens, and then they came around and wanted to get another branch, a new one, that he would not look very kindly upon their new application. Now that is what I understood. Isn't that what he said?

MR. TORRE: Well, that is on another subject matter, your Honor. My question was directed from conversion from state banks to national banks. But we will proceed along that line for the time being.

THE COURT: All right.

Q (By Mr. Torre) You would recommend, is what you mean, that you would not look favorably upon a subsequent branch application, is that right?

A Well, that is correct.

Q And you don't know whether the Comptroller would look favorably or unfavorably upon that, is that correct?

A I don't know what his final decision would be, all I could state is what mine would be. We grant branches for

the very same reason that we grant charters, and that is for a need of the bank that is applying, a need to serve the community, and if they turn around and sell their branch, then they are not satisfying that need.

Q Isn't the Comptroller's general philosophy to take a [988] very expansive view as to the ability of national banks to branch?

A I would assume that to be correct, within the limits of the law. It doesn't mean however that we don't turn down branch applications.

Q Are you aware of the merger transaction between the Peoples National Bank of Washington and the Olympic National Bank?

A I am.

Q And therefore you are also aware that after, there was an agreement entered between those banks that the Olympic State Bank converted itself pursuant to their agreement with Peoples to a national bank?

A I knew that the Joshua Green family purchased control of the Olympic State Bank. I knew of no agreement, I knew that they purchased control, and they made application through us to convert the Olympic State, to the Olympic National.

Q And you granted that permission to convert, is that correct?

A We examined the bank for conversion, and converted it.

Q The Comptroller did?

A The Comptroller.

Q And the Comptroller at the same time before the merger took place, also allowed them to open a de novo branch [989] in the community of Sequim, is that right?

A You mean at the same time of the conversion?

Q Subsequent thereto.

A Subsequent to the conversion the Olympic National Bank made application for a branch in Sequim.

Q And what was the time lapse of the merger agreement, the conversion, and the branching?

A The merger agreement as far as I know was subsequent to the conversion and subsequent to the branch.

Q But the Green family had acquired an interest?

A Yes, the Green family has stock in quite a few banks, as I understand. The branch at Sequim was granted to the Olympic National Bank on that basis, of their need for a branch at Sequim.

Q You mentioned that in your consideration of merger application, you considered the banking structure of the community. What type of structural analysis do you perform?

A On a new charter application?

Q Yes. I switched over to merger application.

A I did not say we considered the banking structure in a merger. I said we considered the convenience and need, and the effect on competition.

Q And how did you evaluate the effect on competition?

A Well, obviously by the entry of the National Bank of [990] Commerce into the Spokane market on the basis of the merger, and the services that they would provide to the Spokane community, and the competition that they would provide to the other banks located, particularly the Seattle-First National.

Q How did you evaluate the effect on competition? What criteria did you use?

THE COURT: Well, that is what I understood he just told you, isn't that what you said?

Q Well, how did you measure that effect?

A Well, we have a lot of ways to measure it, it is similar to a new bank application, but in a merger the banking public in Spokane, how would they benefit from the merger. They would obviously get expanded services, they would have an alternative to the Seattle-First National for the services, and I refer particularly to internationally, because the National Bank of Commerce excels in the international field.

Q Well how did you evaluate the anti-competitive effect of the proposed merger?

A Because the National Bank of Commerce does not compete in the Spokane market.

Q No, how did you evaluate the anti-competitive effects? What criteria did you use in measuring those?

A This is what I said, I didn't see any anti-competitive [991] effects, because the National Bank of Commerce and the Washington Trust Company do not presently compete.

Q Wouldn't the elimination of the Washington Trust

Bank eliminate one of the larger banks able to branch within the City of Spokane?

A It would.

Q And after the merger, the National Bank of Commerce will not be able to sub-branch, is that correct?

A That is correct.

Q What institution would be able to branch?

A The Old National, the First National, the American Commercial, in the City of Spokane.

Q Do you feel that the National Bank of Commerce's ability to compete in that area would be limited by its inability to branch within that area?

A I do not. Not with seven or eight branches, and the growth pattern of Spokane, I think they have a wide distribution of branches with which to compete.

[992] Q Assume that Spokane will grow at a moderate rate and expand and that new areas will be opened up in the city by residential developers and commercial developers and there will be development in those areas, how will the National Bank of Commerce be able to compete in those areas with the branch banks?

A Well, they would have to compete from their existing branches.

Q So, therefore, there would be an advantage to banks, let's say, like the Old National Bank and the First National Bank of Spokane over the National Bank of Commerce, is that correct?

A In their ability to branch in the future in the Spokane market, yes.

Q Returning to the Olympic National Bank situation for a moment, what was the time between the acquisition by the Green family of the stock of the Olympic State Bank and the conversion and branch application?

A With any reasonable assurance, I couldn't tell you. I recall that after the purchase of the bank, it was approximately two months before they converted, maybe more. It was not too long after they converted that they applied for a branch, and I don't know, a month, two months there.

Q You mentioned that one of the factors you considered in [993] granting a charter to a new bank was the deposit growth of the institution and where it would get its busi-

ness, whether it would get new depositors, or, as you said, take away deposits from existing institutions. Do you feel that taking away deposits from institutions is detrimental?

A It is if the institutions are not of sufficient size to survive or if it would materially hurt them.

One thing in addition that we consider in this that I didn't mention is the existing services that are offered by the existing banks also.

Q Well, looking at the factor that such take-away would hurt existing institutions, what institutions would likely be hurt and endangered, let's say?

THE COURT: Let me interject here and ask the question before we go any further on this take-away business. Just what is your experience with regard to a new bank taking away deposits from other banks?

THE WITNESS: Well, if we have done our job right and there is the available business in growth, a new entry will not particularly hurt an existing bank.

THE COURT: I am talking about take-away, how often do you see take-away happening in the banking business?

THE WITNESS: In any great degree?

[994] THE COURT: Yes.

THE WITNESS: Not very often.

THE COURT: Just tell me why for the record. I already know, but just tell me why.

THE WITNESS: Why they do not take away?

THE COURT: Why doesn't the banking customer leave one bank and go to another one?

THE WITNESS: Because banking customers of banks are very peculiar, they get attached to their banks and they don't want to change their banking connections, and people will even move away from the town where they do their banking and continue to bank with the one if they are satisfied with the bank. The only time there is a take-away is when the bank is not doing its job.

THE COURT: All right.

Q (By Mr. Torre) And does the fact that people are reluctant to change banks also indicate that the services and attention and price for those services they would get are not materially different at other banks?

A Well, it depends on what they need, of course.

Q And could it be the attitude of "Why change because everything is the same at the other place as it is here"?

A That could be, yes.

Q And could that—

[995] A Unless there are services—additional services.

Q Could that reluctance to change indicate perhaps not very vigorous competition among those banks?

A Not necessarily.

Q Well, if they are all the same, let's say, and if the services—

A Obviously, they are competing to keep their customers, aren't they?

Q The service charges are the same and if the banking hours are the same and if the interest rates basically are similar, that there is no effort to discriminate between one institution and the other, would you say that would indicate a factor that would keep people at the same bank?

A Well, it might, yes. That is not to say that the banks don't solicit customers from their competitors. I think they do constantly. But that doesn't mean that they are going to reduce their rates to an unprofitable level just to get that customer.

Q What service will National Bank of Commerce bring into Spokane that isn't offered by an existing financial institution in Spokane?

A Well, I don't know that it is not offered by an existing banking institution. I said Seattle-First because of its size is predominant in Spokane in being able to [996] offer certain services that, say, Old National can't offer or that Washington Trust can't offer or First National of Spokane. So, obviously, they will bring that in, as I mentioned, their international department.

Q You stated that you wouldn't be likely to recommend granting a charter application in Spokane, is that correct?

A That's correct.

Q And on what basis did you state that you wouldn't so recommend?

A Based on my knowledge of the Spokane banking structure now and its growth and economics, and that knowledge comes from reviewing the reports of competition

from Spokane for one reason, applications for branches. I have been to Spokane a number of times.

Q What effect do you think the granting of a new charter would have on the Spokane banking market?

A I think it would have the greatest effect on the American Commercial Bank because, obviously—

Q What effect would it have?

A Well, it would detract from them sharing in the growth of deposits in Spokane because they have another competitor of their size.

Q In other words, you don't feel that a small bank would compete for deposits with a large bank?

[997] A I don't see how they could because they can't offer the services that the large banks can.

Q Let's look at retail accounts, couldn't they compete for checking accounts and passbook savings accounts?

A Surely they could, but are those retail accounts going to want larger loan limits?

Q I mean the vast majority of small deposits under $10,000 don't require great sophisticated service?

A But in Spokane you are talking about putting a new bank into the downtown section of Spokane and getting retail accounts. The small accounts are going to be obtained from the suburban areas of Spokane, not from downtown Spokane. You are competing in a metropolitian area with metropolitan banks.

Q Why couldn't a bank acquire accounts downtown? I don't understand that.

A Because the housewife in the suburb is going to keep her account with whatever branch is handy to her. She is not going to get in the car and drive downtown to do her banking.

Q She could be working downtown, is that right?

A She could be working downtown, yes.

Q So she could bank with a downtown bank then?

A Yes, that's right.

Q And they could acquire suburban business by getting [998] people that work downtown to deposit their money downtown, is that right?

A They could solicit deposits from those people in the downtown core.

Q Would any bank in Spokane be in danger of failing if you granted a new charter?

A Not in my opinion, no.

Q And wouldn't a new entry increase competition if you granted a new charter?

A It would increase competition at certain levels, at the lower levels, I would say. That's what I'm saying, I don't think it would particularly disturb Old National or even First of Spokane for a new bank—

Q Isn't a new bank able to compete for small, medium sized customers as well as a large bank?

A With all the circumstances even, they would be able to compete effectively.

Q So on that level of competing for small, medium sized customers, we have all banks competing on that level, is that right?

A For the smaller customers except those that have the branches in the suburbs.

Q And the vast majority of customers are basically small, medium sized customers, isn't that right?

A In terms of accounts—checking accounts?

[999] Q Loans, et cetera.

A That's right.

Q So, therefore, for the vast majority of business there would be an increase in competition in the Spokane area, is that correct?

THE COURT: No, that isn't correct. When you say "vast majority of business," do you mean dollars or do you mean the number of people that walk in and out of the door?

MR. TORRE: I think the vast majority of customers could be numbers or dollars, either way.

THE COURT: All right, go ahead.

THE WITNESS: Well, you are going to increase competition, but the effect of that competition I think will be minimal because of the size of the bank and perhaps the expertise of management. Obviously, the Old National will have a public relations department which would be superior to a newly chartered bank that has perhaps one person that has to do it.

Q (By Mr. Torre) Could a newly chartered bank

offset that public relations advertising expertise with price competition by offering free checking accounts?

A I doubt it. We wouldn't allow a new bank to open up and give free checking accounts. We have that stipulation when we grant a charter.

[1000] Q Do you allow other national banks to give free checking accounts?

A That's after they are opened and established.

Q Well, what determines that?

A We determined it because we had a very sad case with a bank.

Q What determines to establish that—

THE COURT: Let him finish his answer. Go ahead.

THE WITNESS: The reason we set up the rule was we had a bank that nearly failed because they gave free checking accounts and they had ten million people come in and open little, minimum accounts with them that didn't amount to anything but their bookkeeping—they had to hire twenty or thirty people right off the bat.

Q (By Mr. Torre) Where was this bank?

A In Oklahoma.

Q And how many other banks?

A Well, that was the one that gave us our experience.

Q Are you familiar with the Commonwealth National Bank of Virginia?

A No, I'm not.

Q It was a relatively new bank—

MR. HARTMAN: He says he isn't familiar with it.

[1001] MR. TORRE: I am trying—

THE COURT: Well, let him testify, go ahead, tell me about it if he can't. What did they do, give free checking accounts?

MR. TORRE: Yes, your Honor, they did, in fact they got mine. But—well, I won't go into it.

THE COURT: Where are they, Falls Church, Virginia?

MR. TORRE: They are in Arlington.

THE COURT: Right out of Washington, D. C.? That is really in the metropolitan banking market of Washington.

MR. TORRE: Yes, and they grew very substantially,

your Honor, because of this free checking account, they grew to 36 million in about four or five years.

THE WITNESS: You are talking about a market substantially different from Spokane, too.

THE COURT: That is in Virginia but not Virginia rural, that's Washington, D. C.

MR. TORRE: Suburban.

THE COURT: Washington, D. C., where everybody commutes back and forth. You don't go downtown Washington, D. C. to do your banking, that's out of the area as if you have a branch, isn't that right?

[1002] MR. TORRE: I live in Maryland, your Honor.

THE COURT: Isn't that right?

MR. TORRE: I only do my banking there because of the price.

THE COURT: To get free checking?

MR. TORRE: I like to reward competitors.

THE COURT: All right, go ahead.

[1003] Q Where is the bank located in Oklahoma?

A Tulsa.

Q Downtown Tulsa?

A No, it was in the suburbs?

THE COURT: You're talking about your banking experience, counsel—I'll let you talk about your personal banking experience if you will let me talk about mine—go ahead.

MR. TORRE: Were you aware that the Comptroller had granted his approval informally to the merger of the National Bank of Commerce and the Washington Trust Bank before you received the application?

MR. MOEN: I object to that, your Honor, there is no evidence in the record of that.

THE COURT: Ask it again, let me hear that over again, will you, counsel?

MR. TORRE: I direct your attention—

THE COURT: Don't ask the question. I just wanted to hear the question he's made the objection to.

Q Are you aware that the Comptroller of Currency had granted informal approval to the merger of the National Bank of Commerce and the Washington Trust Bank prior to your receipt of the application?

MR. MOEN: I will renew my objection until there is some evidence in the record that that is the [1004] fact.

MR. TORRE: I'll find it in the evidence, your Honor. I would look at the—

THE COURT: Let me see what it says. I'd like to read it.

MR. TORRE: Government's Exhibit No. F-19 and Government's Exhibit No. F-10.

MR. HARTMAN: Have those been admitted into evidence, counsel?

MR. TORRE: For identification, just to cover myself.

MR. HARTMAN: Has it be ruled upon by the Court?

MR. TORRE: This is rebuttal, your Honor.

THE COURT: Well, let me see—let me take a look and see what you've got there; counsel isn't going to poison my mind, I'll look at it and see what it says and whether it should be in the record. I have F-19.

MR. TORRE: F-19 and F-10 and first F-19, your Honor, and then F-10. I direct your attention to the first paragraph of 19.

MR. MOEN: Will you find out what paragraph you're referring to?

THE COURT: Well, let's see, now back to 10?

MR. TORRE: Yes, your Honor.

[1005] MR. MOEN: Well, in the first place, your Honor, these documents are not admitted for the purpose of attempting to prove the facts stated here and even then it doesn't say that at all, it states that the Comproller looked with favor on it. That's something quite different than saying he has granted approval before he made application.

MR. TORRE: With regard to the objection, your Honor, of hearsay I believe—

THE COURT: Wait a minute. I can't read it and listen to you at the same time and I could but then I might misunderstand what you said and you wouldn't want me to do that. All right, now, all right I have read it, now what do you want?

MR. TORRE: Well, the objection was made that—
THE COURT: There is no evidence in the record. What he said was there is no evidence in the record that the Comptroller approved this merger before the application was made, is that what you're talking about?
MR. MOEN: That's my objection, your Honor.
THE COURT: And that's what you were asking him, if he approved it?
MR. TORRE: Whether he is aware that the Comptroller had granted informal approval.
THE COURT: Well, he didn't grant informal [1006] approval in the document that you proposed, what he said was and I'll take it as being the fact that Mr. Corning and Mr. Carlson talked with the Comptroller and the chief deputy and the chief deputy or Comptroller, whoever it was, said that in his opinion it was a procompetitive proposal and that he would look with favor on it if the application were made, that's all. I'll accept it as being the fact—that's what he said.
MR. TORRE: Could I note, your Honor, if I may, that Mr. Carlson said that "He would undoubtedly approve our application when and if presented provided that the Washington Trust Bank was prepared to do battle."
THE COURT: There's nothing unusual about that.
MR. TORRE: Well, as I understand it, it is informal approval especially when read again.
THE COURT: Suppose he did, I mean, for purposes of this lawsuit it wouldn't make any difference—
MR. TORRE: Well, Mister—
THE COURT: If you want to argue with me about it I am saying I'm going to agree that he probably would approve it if it was made and gave his reasons, it wouldn't make any difference whether he informally thought so because I don't believe and I'm not so naive to believe that these people would go to the extent [1007] of making an application for this merger out of the cold—without any knowledge concerning what the feeling of the Comptroller of Currency would be. That would be ridiculous, it's not done and I wouldn't think that they would do it and I would assume that they would have talked with the Comptroller of the Currency before they even made the application. I am satisfied of that.

MR. TORRE: Well, your Honor—

THE COURT: If they didn't, they would be fools and they are not fools.

MR. TORRE: I am sure they are not fools, your Honor, and I am not suggesting that they do foolish things.

THE COURT: Well, the Comptroller of the Currency according to Mr. Carlson thought it was a good idea to make an application, nothing wrong with that. Of course he also said that he thought that the Justice Department, who apparently, he felt, would bring this suit.

MR. HARTMAN: And he also said, I might point out, that he felt that the acquisition would increase competition in the Spokane market.

THE COURT: That's right, I saw that in there. I mean, that's what it says—all right, go ahead and ask him the question again.

[1008] Q Were you aware of that meeting in 1969 and the subsequent meeting in late 1970 with regard to the merger application?

A I was aware that the National Bank of Commerce went to Washington to discuss the merger. I was not aware that it had been approved.

THE COURT: Well, for the record it wasn't approved but it was indicated according to Mr. Carlson that the Comptroller would look with favor if they made the application.

A Any group that comes in and talks to me, any group that comes and talks to me about a potential merger I always refer them to Washington and suggest they talk to our Washington office.

Q What effect would your recommendation have if the Comptroller had already told Mr. Carlson that he would look with favor?

A I can't tell you that, I don't know. I don't know why the Comptroller would have me make an investigation and make a recommendation if he wasn't going to rely on my recommendation to some extent.

Q So again, you only made the recommendation. You don't know what transpired in Washington?

A That is correct. I made the investigation and a recommendation.

Q This again would apply to all the opinions that you have [1009] testified today as to what you would permit the National Bank to do in the Thirteenth District, is that correct?

A That is correct. I might say though that I do work for the Comptroller of the Currency and it is my job to interpret and enforce his policy in this region.

Q Before you enforce, you—

A I make a recommendation to him, this is correct.

Q Your Honor, we have loaned our copy of the exhibit to defendants and we are merely trying to get it back so we can use it.

THE COURT: All right, what is it?

MR. TORRE: I direct your attention, Mr. Selby, to exhibit No. H-1, do you recognize that document, Mr. Selby?

A Yes.

Q I would direct your attention to page two of that document, I may have marked, may have given you that marked copy and the word underlined there.

A Yes.

Q And the word is—

A Sponsorship.

Q Will you tell us what that word means in the context of that acquisition?

THE COURT: Where is it, what paragraph?

[1010] THE WITNESS: The second paragraph.

THE COURT: Oh, I see, all right.

MR. HARTMAN: We are at a disadvantage—you gave me my copy back in Washington, D.C.—

THE WITNESS: It is a decision on Peoples in Vancouver merger.

Q What is the significance of the word "sponsorship" there?

THE COURT: Where is that?

MR. TORRE: Second paragraph, your Honor.

THE COURT: All right, I see it. Sponsorship, go ahead. What does it mean, what does the word mean?

A We like for any applicant group that comes in to apply for a national bank charter, we like and we encourage them to have the assistance of a correspondent

bank and I would assume that is what this has reference to as the assistance that the national bank gave to the Bank of Vancouver and its organizers and subsequently we furnished management to the bank.

Q You assumed, don't you know, Mr. Selby?

A Yes.

Q What assistance do the Peoples National Bank give to the Bank of Vancouver?

THE COURT: Well, this is Peoples National Bank?

[1011] THE WITNESS: Yes.

MR. TORRE: Yes, your Honor.

A Of course that bank was organized prior to the time that I came to Portland. I was there when it merged, the Bank of Vancouver merged into the Peoples National Bank, that is the only time that I was involved with this.

Q You weren't there at the time of the chartering?

A I was not.

Q Well, at the time of the merger did you look into the background of the Bank of Vancouver?

A Well, of course we had to.

Q And did you find out to the extent to which they were sponsored by the Peoples National Bank?

A Yes.

Q To what extent was that?

A Well, they, let's see, did not provide management to begin with. Mr. McElhaney was the original manager of the bank and I can't recall, this has been a long time ago, it seems to me like Peoples—

Q Do they make bank stock loans to the stockholders?

A I think they did.

Q Do some of the officers and directors own stock in the bank?

A I think they did, yes.

Q Do you know that one of their officers of the Bank of [1012] Vancouver was formerly an officer of the Peoples National Bank?

A I said that he was because the bank had gotten into a serious condition and Peoples put in a man to help them out which we asked for, quite a bit of the time.

THE COURT: All right, let's go to the next question then.

MR. TORRE: I might be finished, your Honor.
THE COURT: All right.
Q Would you say that, given the fact that there would be growth in the Spokane economy and in fact your knowledge is that there was growth in deposits in Spokane—
MR. HARTMAN: What was that question?
THE COURT: Well, he hasn't finished his question.
THE WITNESS: It's an assumption—
Q Assume that there would be growth in Spokane and you acknowledged that the deposits in the Spokane area were growing, if the new bank would not result in endangering any existing financial institutions there—would you be inclined to recommend a charter be granted?
A If all of our considerations were favorable, is that what you're saying?
Q Yes.
[1013] A If all of the considerations, just like we make for any charter application, if the fact that, the economic facts and the banking facts were favorable, would I recommend?
Q Yes.
A If the financial condition of the organizers was satisfactory, yes, I would.
THE COURT: Like you say, the Comptroller may not accept his recommendations.
MR. TORRE: I think that goes to the weight of the prior testimony.
THE COURT: All right, go ahead. [1014] Counsel, I don't think this is going to bear on my decision, any of this is going to bear on my decision here.
MR. TORRE: Well, your Honor, it bears on our theory that a new entry would deconcentrate the market.
THE COURT: Your theory is that if you had a new bank go in there, that they would get some other bank's deposits?
MR. TORRE: That is right.
THE COURT: Well, assume that they did?
MR. TORRE: As well as new business.
THE COURT: Well, assume that they did, all right, I understand your theory.

Q (By Mr. Torre) Do you consider that that's a detrimental factor?

A I think Seattle-First could probably absorb any deposits in Spokane they might have.

Q And what about the Washington Bancshare subsidiary?

A You are talking about the Old National Bank and the First National Bank?

Q Yes.

A Well, of course it would affect the First National more than it would the Old National. But they could also survive.

Q And the Pacific National?

[1015] A Pacific National doesn't have that many deposits in the City of Spokane. But overall, yes, they could survive, it would just contribute to the unprofitableness of their branch.

Q And the American Commercial Bank?

A Could they survive? Yes, they could survive.

Q And the Farmers & Merchants Bank?

A I doubt seriously that a new bank in downtown Spokane would have that much of an effect on the Farmers & Merchants Bank.

Q I direct your attention now to Exhibit H-8.

THE COURT: Let me get back to your theory here for a moment. Your theory is that if a new bank went in there they would take some deposits from the other banks, and therefore the other banks wouldn't make as much money as they are, and therefore it would increase competition. Is that your theory?

MR. TORRE: Yes, sir.

THE COURT: Well, that really is not a very good theory in my judgment,—

MR. TORRE: Our theory, your Honor, that concentrated markets are tending to be less competitive than less concentrated markets.

THE COURT: Well, I know that, I have already heard that a number of times, but the proposition that [1016] you pose is—why would you want a new bank to go in there and take away the deposits from American Commercial? I don't understand that. They are strug-

gling along,—I don't know how hard they are struggling, but they are a small enterprise, and what good would that do, that kind of competition, I don't understand it.

MR. TORRE: Well, obtaining new market shares, is what we are talking about, your Honor.

THE COURT: Well, taking away deposits, you said taking away deposits from American Commercial. How do you justify that?

MR. TORRE: Well, that is part of competition, your Honor. I think American Commercial is up to competing with a new entry.

THE COURT: Well, if you think they should just barely survive, I guess that is a pretty good theory, but I don't believe in just bare survival, I don't believe anybody with good judgment should believe in it. If that is the situation, then lawyers and judges should just survive, just barely survive, because bare survival is not what we're looking for. We are looking for a fair share of wordly goods, and I think that making a profit under our system is one of the essentials of survival. You have to make a profit, and so I just don't follow this taking away from [1017] American Commercial.

MR. TORRE: We're not saying that they are going to take away their profits, your Honor,—

THE COURT: Well, it would.

MR. TORRE: Well, there is no indication—

THE COURT: You take away their deposits and you take away their profits, because if they don't have deposits they can't make loans, and if they can't make loans they can't make money, and it is about that simple.

MR. TORRE: Well, they are not likely to sit back and let that happen, your Honor.

THE COURT: Well, maybe they aren't. But I just want to show you in my opinion the ridiculousness of your contention that a new bank should go into that area and compete with American Commercial for deposits.

MR. TORRE: Well, there is also the fact that everyone's deposits can grow, and they have been growing, your Honor.

THE COURT: Well, they sure can. All right, go ahead with your next question.

Q (By Mr. Torre) I am directing your attention to Exhibit H-8 which is before you. Do you notice the last paragraph down there, that it says the Tri-City National Bank was a satellite of the purchasing bank? Do you know the significance of that term with regard to that [1018] bank?

A I have no idea, I don't know anything about the Tri-City National Bank. I see here where it is at Pasco.

THE COURT: Who owns it?

THE WITNESS: The Old National.

MR. TORRE: I have no more questions, your Honor.

THE COURT: All right.

MR. HARTMAN: Your Honor, I have just a couple on redirect.

REDIRECT EXAMINATION

BY MR. HARTMAN:

Q Mr. Torre was asking how many banks failed because of the free service charge policy, and how many do you feel needed to fail before the office took some action on that?

A Well, none.

THE COURT: Well, of course we get some dandy questions here. I don't think that was a very good question either, do you, Mr. Torre? You really don't, do you?

MR. TORRE: I have no re-cross-examination, your Honor.

THE COURT: That gets to be funny after a while. [1019] Now, do you have anything further?

MR. MOEN: No questions.

MR. HARTMAN: Your Honor, that is all I have, and that is all the witnesses I have.

THE COURT: All right, you may step down.

MR. HARTMAN: This has not been presented in a logical order, usually the intervenor finishes its case after the defendants,—

THE COURT: Well, I hope I can remember your witnesses and what they had to say. I think I can. Your testimony, save and except for Mr. Selby, went primarily to the need aspect. I recall your witnesses, starting with

Mr. Bennett and ending yesterday with, was it Mr. McCarthy?

MR. HARTMAN: The last one yesterday was Mr. Howard.

THE COURT: Oh, yes, the County Treasurer. The reason I got to thinking about the County Treasurer is that when I called you gentlemen into chambers, or my office, to talk about time on this case, you caught me looking at my license fee that I was going to have to pay. All right, go ahead.

MR. HARTMAN: Your Honor, at this time the intervenor will rest.

MR. TORRE: I would like to move into evidence Government's Exhibit F-10 and F-19.

[1020] MR. HARTMAN: I would like to renew my objection as to relevancy.

THE COURT: Well, I just don't think they are relevant to the issues here. The reason I don't think they are is because I don't think that the informal attitude of the Comptroller is any more controlling than, for example, the statement that is made in, which is against your interest, that his feeling was that it would have a procompetitive effect. I don't think any of it is relevant.

MR. TORRE: We feel it is relevant to show that Mr. Selby is only marginally involved in some of these aspects.

THE COURT: Well, I suppose his position is about like mine with the Supreme Court of the United States, when I hear a trial such as this, if it should ever get there, that I am only marginally involved. It is the same situation. Actually, I feel something like a eunuch, I just keep things going along smoothly, but don't take too much part in the proceedings. I feel that that is not material and I sustain the objection.

Now, Mr. Moen, do you have a witness you want to call?

MR. MOEN: I will call Dr. Baxter. I am going to attempt to qualify this man as an expert witness, and [1021] I would submit for the record a statement of his qualifications. I assume this can be copies into the record at this point.

THE COURT: All right, give me a moment to read it.

One of the things I would like to have you do, Counsel, is have him talk in terms that I can understand, which may be real difficult, Dr. Baxter.

All right, go ahead.

MR. MOEN: We would like the Clerk to mark for identification a number of exhibits to which we will refer, and I would suggest that these be marked Defendants' B-1-1, -2, -3, and so forth.

THE CLERK: That is the numbering series for the plaintiff, your Honor.

THE COURT: Well, let the Clerk mark them because those are the plaintiff's series and that will just get the Clerk confused. The only thing we are concerned with is that the Clerk has ready access to all of these and you can obviously see that she does. So she will mark them and let you know how she marks them.

(Statement of Qualifications of NEVINS D. BAXTER reads as follows;)

[1022] "NEVINS D. BAXTER graduated from Columbia University where he was elected to Phi Beta Kappa. He earned his master's and doctor's degrees in Economics at Princeton, University, serving on the faculty there and at the University of Pennsylvania. During his academic career Mr. Baxter was awarded several fellowships, including a Woodrow Wilson Fellowship, and a Harold Stonier Fellowship in Banking. He was also awarded research grants by the Ford Foundation, and the National Science Foundation. His publications cover a wide range of economic and financial topics, and he has been a frequent speaker at professional and business meetings. Mr. Baxter has served as consultant to banks throughout the United States, to the Office of the U. S. Comptroller of the Currency, to the Federal Reserve Bank of Philadelphia, and to various industrial corporations, trade associations and government agencies.

"In 1964 Mr. Baxter joined the research and consulting firm of MATHEMATICA, Inc., as part time consultant. His association with the company became full time in 1969 when he resigned from his post of Assistant Professor of Finance at the Wharton School of Finance. He was

elected Vice-President and Director of Economic Research and Consulting at MATHEMATICA Inc., which gave him technical and financial responsibility [1023] for projects, personnel, and new business development, including budgeting and long-range planning. His job also involved active participation in client consulting assignments.

"Mr. Baxter has appeared frequently as an expert witness before legislative, administrative, and judicial bodies. The subject matter of his testimony has included the antitrust and economic implications of bank mergers and holding company acquisitions, analysis of bank charters and branch applications, evaluation of proposed tax legislation, and assessment of damages in stockholder suits. In each case, Mr. Baxter has directed the economic and statistical analysis to serve as a basis for his testimony.

"In August 1971 Mr. Baxter resigned from MATHEMATICA to establish a new firm, BAXTER & CO., oriented toward testimony and assistance to the legal profession as well as providing a broad range of economic and banking consulting services. He heads this organization, which is located in Washington, D.C.

NEVINS D. BAXTER

EXPERT TESTIMONY

"'Statement on Mayor Lindsay's Tax Bill,' on behalf of the American Insurance Association, American Mutual Insurance Alliance, and New York State Mutual Insurance Association [1024] at public hearings before the New York City Council, April 1966.

"Testimony on behalf of the Intervenor, U. S. versus Provident National Bank and Central-Penn National Bank of Philadelphia and William B. Camp, Comptroller of the Currency, Intervenor: U. S. District Court for the Eastern District of Pennsylvania, August 1967.

"Testimony on behalf of Defendants. U. S. versus Phillipsburg National Bank and Second National Bank, and William B. Camp, Comptroller of the Currency, In-

tervenor: U. S. District Court for New Jersey, September 1968.

" 'The Economic Consequences of the Proposed Increase in Taxation of New Jersey Commercial Banks,' testimony on behalf of the New Jersey Bankers Association at public hearings before the New Jersey State Legislature, September 1969.

" 'Banking in Corinth and Northeastern Mississippi,' testimony on behalf of the National Bank of Commerce and the Security Bank of Corinth, Mississippi, at public hearings before the Mississippi Banking Commission, Jackson, Mississippi, January 1970.

"Testimony on behalf of Defendants. U. S. versus Idaho First National Bank and Fidelity National Bank, and William B. Camp. Comptroller of the Currency, [1025] Intervenor: U. S. District Court for Idaho, February, 1970.

"Testimony on behalf of Plaintiff. Gerstle *etal.* versus Gamble Skogmo, U. S. District Court for the Southern District of New York, March 1970.

"Testimony on behalf of the Arkansas Power & Light Company, at public hearings before the Arkansas Public Service Commission, in response to Show Cause Order Docket No. U-2227, Little Rock, Arkansas, March 1970; cross-examination, June 1970.

"Testimony on behalf of Defendants. U. S. versus First National Bancorporation of Colorado, *etal.*, U. S. District Court for the District of Colorado, May 1971.

" 'An Analysis of Banking in Amory Mississippi,' testimony on behalf of the Bank of Amory and The Security Bank, Amory, Mississippi, at public hearings before the Regional Administrator of National Banks, Memphis, Tennessee, July 1971.

" 'An Economic Analysis of the Proposed Merger of The National Bank of Commerce of Seattle and the Washington Trust Bank,' testimony on behalf of the applicants at public hearings before the Regional Administrator of National Banks, Portland, Oregon, July 1971.

[1026] "Testimony on behalf of Defendants. U. S. versus United Virginia Bankshares, Inc., *etal.*, U. S. District Court for the Eastern District of Virginia, October 1971.

"'An Analysis of the Public Necessity for a New Bank Charter in West Point, Mississippi,' testimony on behalf of the Bank of West Point and the First National Bank of West Point before the Mississippi State Banking Board, December 1971.'

"Testimony on behalf of American Bancorporation, Inc., St. Paul, Minnesota, protestant to an Application to Acquire The Farmers and Merchants Bank of Stillwater, Minnesota, by Northwest Bancorporation. At public hearings before the Federal Reserve Board, Minneapolis, Minnesota, March 1972.

"'An Analysis of Economic and Banking Factors Associated with the Proposed Branch of Citizens and Southern National Bank at Stone Mountain, Georgia.' Testimony on behalf of Applicant at public hearings before the Regional Administrator of National Banks, Atlanta, Georgia, March 1972.

"'An Analysis of Alternative Bank Office Locations for the United National Bank of Miami, Miami, Florida.' Testimony at public hearings before the Regional Administrator of National Banks, Atlanta, [1027] Georgia, July 1972.

"Testimony on behalf of Defendants. U. S. versus The Citizens and Southern National Bank, *etal.*, U. S. District Court for the Northern District of Georgia, Atlanta Division, October 1972.

[1028] "NEVINS D. BAXTER

PUBLICATIONS:

'Built-in Fiscal Stabilizers in the United States,' *Zeitschrift fur Nationalokonomie*, Band XXII, Heft 1-2, 1962.

'Compensating Balance Requirements: The Theory and Its Implications,' *Southern Economic Journal*, January 1964.

'Compensating Balance Requirements: The Results of a Survey' (co-author), *Journal of Finance*, September 1964. Reprinted in L.S. Ritter (ed), *Money and Economic Activity*, Third Edition, 1967.

'Compensating Balance Requirements of Commercial Banks' (co-author), *Banking*, September 1964.

'The Federal Reserve Holdings of Financial Assets;' statement submitted to the Joint Economic Committee, Subcommittee on Economic Progress, October 1965, in *The Federal Reserve Portfolio: Statements of Individual Economists*, Washington, 1966.

The Commercial Paper Market, Boston, Bankers Publishing Company, 1966.

'Commercial Banks and the New Generation of Corporate Treasurers,' *The Bankers Magazine*, Winter 1966.

'Country Banks and the Federal Funds Market,' *Business Review of the Federal Reserve Bank of Philadelphia*, April 1966.

[1029] 'Implementing the Employment Act in the Years Ahead;' statement submitted to the Joint Economic Committee, June 1966, in *Twentieth Anniversary of the Employment Act: An Economic Symposium*, Washington, 1966.

'Why Federal Funds?' *Business Review of the Federal Reserve Bank of Philadelphia*, August 1966. Reprinted in P. F. Jessup (ed.) *Innovations in Bank Management*, 1969.

'Bank Regulation Policy: Some Analytical Guidelines' (co-author). Delivered at the Annual Conference of the Southern Economic Association, Atlanta, Georgia, November 1966.

'Banking Structure and Non-Bank Financial Intermediaries' (co-author). *National Banking Review*, March 1967.

'Research and Development and the Investment Decision' (co-author). Delivered at the National Meeting of The Institute of Management Services, Boston, Massachusetts, April 1967.

Review of *The Securities Markets: Operations and Issues*, by S. Robbins, *Columbia Law Review*, June 1967.

'Leverage, Risk of Ruin and the Cost of Capital', *Journal of Finance*, September 1967.

'*The Commercial Paper Market*, Boston, Bankers Publishing Company, 1966.

'The Determinants of General Aviation Activity: A [1030] Cross-Sectional Analysis' (co-author), *Transportation Research*, Vol. 2, No. 1, 1968.

'Marketability Default Risk and Yields on Money Market Instruments,' *Journal of Quantitative and Financial Analysis*, March 1968.

Review of *Investment Analysis and Portfolio Management*, by J. B. Cohen and E. D. Zinbarg, *Journal of Finance*, June 1969.

'Unemployment and Cost Benefit Analysis' (co-author), *Public Finance*, November 1969.

'Tourism and Hawaii's Future: A Cost-Benefit Approach.' Remarks to the Chamber of Commerce of Hawaii, September 1969.

'Premium Taxation of Fire and Casualty Insurance Companies, *Proceedings of the Sixth Annual Meeting of the American Insurance Association*, May 1970.

'Corporate Choice Among Long-Term Financing Instruments' (co-author), *Review of Economics and Statistics*, August 1970.

'The Issuing of Long-Term Corporate Securities' (co-author), *The Journal of Political Economy*, Vol. 78, No. 6, November/December 1970.

'Economic Principles for Efficient Rate Making Policy.' Remarks to the National Economists Club, Washington, D.C., March 1971.

[1031] Review of *The Future of Small Business*, by E. D. Hollander and others, *The Antitrust Bulletin*, Spring 1972."

NEVINS D. BAXTER,

called as a witness by and on behalf of Defendants, being first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MOEN:

Q Would you please state your name?

A Nevins D. Baxter.

Q What is your residence address?

A 4415 Dexter Street, Washington, D. C.

Q And your employer?

A I have a firm called Baxter & Company.

Q And what kind of business or service is Baxter & Company?

A We are economic consultants specializing mostly in work in the banking area. We are involved in mergers, branches, on new charters, as well as general consultants on long range planning and bank expansion problems.

[1032] Q What was your major field of academic study?

A I have my degrees, Bachelors, Masters and Doctors all in economics with a specialization in banking and finance.

Q Do you belong to any special honorary societies?

A Yes, I'm a member of Phi Beta Kappa and have various fellowships and awards while in graduate school.

Q Have you had experience in the field of teaching?

A I was on the faculty of Princeton while I was writing my dissertation and was on the faculty of the Wharton School of Finance for five years.

Q And what did you teach?

A Finance, corporate finance, financial analysis, financial markets and banking.

Q Have you written any literature in the field of banking which has been published?

A Yes, I contributed to professional journals in the field.

Q Have you been employed by banks as a consultant to management on operating problems?

A Yes.

Q By whom and for what purpose?

A Well, by various banks probably in half the states of the country. Our business keeps us on the road a good deal.

Q Are you familiar with the literature in the field of [1033] banking and antitrust law?

A Yes, I am. I try to keep abreast of it.

Q And are you familiar with the District Court De-

cisions dealing with the lessening of competition as a possible violation of the antitrust laws?

A Yes.

Q Did you act as an opinion witness in any of these cases?

A Yes, I have testified in, I believe, three strictly potential competition cases prior to this one.

Q Were you a witness in the Idaho case?

A Yes.

Q Any others?

A Well, in the strictly potential competition area, I testified in US vs. United Virginia Bankshares and in the US vs. First National Bancorporation of Colorado.

Q You read the application of the Comptroller for approval of the merger between Washington Trust Bank and the National Bank of Commerce, have you?

A I have.

Q And have you also read the report of the Justice Department to the Comptroller on the competitive factors involved in the merger?

A Yes, I have.

Q And the reports of the Federal Reserve Board and the [1034] Federal Deposit Insurance Corporation?

A Yes.

Q Have you made an effort to familiarize yourself with the operations of the two banks and the geographical areas in which each operates?

A I have done so.

Q Will you tell us what you have done?

A Well, I was first hired by the National Bank of Commerce and the Washington Trust Bank prior to the hearing held by the Comptroller in July of 1971 to conduct an analysis of the competitive and convenience and needs effects of this merger and ultimately appeared at the hearing. At that time I made two trips to Spokane and interviewed many business customers of the banks and talked to the representatives of the various banks in the Spokane area and also got to learn something about the management and the structure of Commerce and Washington Trust, get some idea of what they could do, where they were specialized and what some of the limita-

tions of the organizations were so that I could arrive at some judgment.

Since that time in preparation for this trial, I have expanded this type of work a great deal, have also prepared certain statistical exhibits and taken a look at the numbers, so to speak, that I felt were [1035] relevant and traveled through most of the major communities and a lot of the smaller towns in the state, and especially in Eastern Washington to get some evaluation of what sort of an area this is so I wasn't making judgments in a vacuum about these communities. And I talked to bankers and to business people.

THE COURT: You want to make a judgment like a judge does sometimes.

THE WITNESS: Unintentional quote, your Honor.

Q (By Mr. Moen) The hearing to which you referred, that was the hearing that was held in Portland on this particular merger?

A That is correct.

Q And you acted as a witness in that hearing?

A Yes, I did.

Q Now, have you examined the banking structure in the State of Washington and in the City of Spokane?

A I have done so.

Q Would you tell us why do economists want to know banking structure when studying competition?

A Well, banking structure is a good starting point because theoretically, at least, there is some relationship between the structure and how banks are performing, what sort of a job they are doing in serving the communities. So one takes a look at the number of banks [1036] operating in a market relative to some bench marks: how big, how many banks does a comunity need, by looking at the various communities, similar communities; what are their relevant sizes, how many offices do they have, what their growth record has been, what the banking base of the community has been—and concentration is one other structural measurement. But basically you want to get all these factors in mind as an initial step in making an evaluation.

Q In determining competition in the banking market

are there considerations other than structure that you take into account?

A Yes, absolutely. I think that structure is really just a starting point, the statistical starting point. One arrives at a judgment of how competitive things are based upon how banks behave, whether they are doing their job, whether customers appear to be satisfied, whether there are new services being introduced, whether there are new branches being established, whether the costs of banking in the market are competitive. All of these things are relevant to arrive at a determination. You just start with structure because it is a way to capsule things.

Q And did you look at the concentration in the State of Washington as a whole?

[1037] A Yes, I did. I did that merely again as a first step because it is of very limited usefulness.

Q What is the relevance of that?

A Well, I don't think it is very relevant because Washington is not a banking market in any sense. But again one wants to start with certain bench marks, and I did look at this as a background.

Q What did you conclude from your studies of concentration in the State of Washington as a whole?

A Well, compared to other statewide branching states, other states that effectively allow banks to have offices in various parts of the state obtained by one route or another, compared to this, Washington is about average. This is demonstrated in our Exhibit 1. There is no trend towards increasing concentration and, in fact, if you look at the concentration figures over time and you adjust for the fact that only in the last few years has Commerce and Seattle-First gotten some deposits from the Euro dollar market, which substantially increases their total footings, but doesn't really make them more important in the State of Washington, issued just for that, as I have done in Exhibit 56, there is actually decreasing concentration in the largest banks in the state, and Commerce's share is much the same as it has been before over time.

[1038] MR. MOEN: I wonder, your Honor, before we

proceed if I could have the exhibits marked for identification, if we don't get the numbering—

THE COURT: He is referring to this first one as being the one that demonstrates comparable deposits in the State of Washington, I suppose of the national banks and the large banks, Seattle-First, N B of C, Peoples Pacific National, Old National, Puget Sound, et cetera, and then you deducted the foreign deposits shown or reflected in your statement from that, and then taking the percentage showing that they haven't materially increased their position, is that the idea? Did I understand you to say that?

THE WITNESS: That's right, Exhibit 1 compares the concentration or the shares of these large banks with other states to show that Washington is very typical in the shares of these large banks. The latter exhibit adjusts for foreign deposit.

THE COURT: I just want to be sure I am following him and to assure him that he is using language that I can understand.

MR. HOFFMAN: Your Honor, we didn't get a copy of 56, ours only goes up to 55, the index only goes up to 55 also, so we have never seen the exhibit that Dr. Baxter is talking about.

[1039] MR. JOHNSTON: I think I made a cross reference from the way, I think, the clerk has renumbered these, and if I could approach the witness and give him this cross reference, I think you will be able to refer to these exhibits.

THE COURT: The clerk has got the numbers, show them the way you numbered them, Mrs. Freeny, give them to Mr. Moen, he can take a look at them. Let him look at the numbers first.

MR. MOEN: If I could have just a couple of minutes—

THE COURT: Go right down the line, then when he wants to refer to an exhibit, he can say this is clerk's identification number so and so.

MR. HOFFMAN: In any case, your Honor, we haven't seen that exhibit.

MR. MOEN: We are now furnishing you one.

THE COURT: You are going to get a copy of it.

THE CLERK: So far I have Defendants' Exhibits 12 through 52 inclusive.

THE COURT: Defendants' 12 through 52 is the way the clerk has marked them.

MR. JOHNSTON: I have a list here, if I can have just a moment, I think I can make a cross reference index.

[1040] THE COURT: That will help you.

MR. JOHNSTON: I can furnish it to the plaintiff.

THE COURT: That will help you, and then you can furnish it to them so that they can follow which one we are talking about.

MR. JOHNSTON: Right.

THE COURT: All right. Why don't we take a couple minutes' recess now so you can get yourselves oriented as to what we are doing here with the exhibits.

The court will be at recess.

(Short recess)

THE COURT: All right, you may continue with Mr. Baxter.

MR. MOEN: I would like the record to show that what the witness designated as Exhibit 1 in his last answer is Defendants' Exhibit 12 for identification, and what the witness designated as Exhibit 56 in his answer is Defendants' Exhibit 52 for identification.

Q Now, Dr. Baxter, have you examined the share of the total commercial banking deposits in the state held by Commerce, and compared them with the share of other large banks in other statewide banking states?

A I have done so, Mr. Moen, and that is depicted in Exhibit 13 as currently marked. I am going to try to use the new numbers.

[1041] Q And would you describe the results of that examination?

A National Bank of Commerce's market share is somewhat less than the average for the second largest bank in these other states, and in fact, the market share has increased less than the average, and if you take out those foreign deposits, the market share of N B C has

actually gone down during this period. In looking at Washington, that is the key thing. Now the one other point that I would make about this exhibit is that there are four states which have very large shares for the number two bank, Hawaii, Idaho, Oregon, and Rhode Island, and there were substantial declines in those states where the shares were already high, and they bring the average down. If you didn't consider these four states, the share of N B of C actually didn't do as well as the average number two.

THE COURT: I am looking at Arizona, Dr. Baxter, that jumped dramatically. Is Valley National the second largest in Arizona?

THE WITNESS: Either Valley National or the First National. I think they are close, but I think Valley is the biggest bank in Arizona, I may be wrong.

THE COURT: All right, I had the impression that it was second.

Q (By Mr. Moen) In addition to concentration, what other [1042] indicators of structure have you examined?

A Well, I looked at the change in the banks and banking offices in the United States and in Washington, I have looked at what I consider the most relevant measures of structure, the number of banking alternatives in local markets.

THE COURT: Before you finish on that, I was just looking at the District of Columbia, and I see that they have jumped six percentage points from 1955 to 1970, so apparently the Justice Department isn't doing a very good job at its home base.

THE WITNESS: If I may comment, your Honor, on some of these exhibits. A couple of the states, notably North Carolina and Virginia where there were large increases, this was due to a change in the state law in those states, and what happened is that your large banks that were in one market or another—the Norfolk Bank, and an organization based in Richmond—have expanded by making acquisitions outside of their home base, and from my knowledge of those states, vastly increased the competition outside of the big markets, bringing big banking services into communities that were formerly served by much smaller institutions.

Q Now have you prepared exhibits to show the results of these investigations of other structural measures? [1043] A Yes, I have. Let me complete your last question, Mr. Moen. I believe that I didn't indicate that I think that the number of alternatives in local markets are actually critical to determine the competitive—how competitive a bank is in the state, and the number of bank offices is also important because it reflects, because competition is one of the things that induces a bank to establish branches. If there are a large number of offices it means not only that the community is well served as to banking locations, in convenience to the customer, it also means that competition is forcing these banks to go out and establish branches—and branching is quite expensive and it is really done as a competitive response.

THE COURT: All right.

Q Let me direct your attention to Defendants' Exhibits Nos. 14, 15 and 16 for identification and would you tell us what these purport to show?

A Exhibit 14, the number of commercial banks and bank offices by state, it simply demonstrates that in the United States as a whole the number of banks has remained roughly the same in the last decade whereas the number of banking offices has increased from some 24,000 to almost 37,000. The number of banks remain about the same when branching occurs. In the State of [1044] Washington the number of banks is somewhat greater now than it was in 1960 and the number of banking offices has expanded more in proportion to its expansion in the United States from 378 to 681 from 1960 to 1971.

And then the changes in the number of banks and bank offices is in Exhibit No. 15 and Exhibit No. 16 shows percentage changes, the percentage change in bank and bank offices in Washington exceeds that in the United States, and that would be a structural measure.

Now, Exhibit No. 17 is another structural measure which looks at the individual towns. What we have done in Exhibit No. 17 is to say—how many banking alternatives are there—the average in towns of two to five thousand in population, five to ten thousand and ten to twenty thousand. We couldn't do this for towns of this

size of Spokane in the State of Washington because there aren't enough. There is only really Spokane and Tacoma from which you could make a comparison. The purpose of this is to see whether or not banking in general is more competitive now in the State of Washington than it was in 1960, and indeed I think that is the conclusion that one draws from Exhibit 17. For example, in 1960, in the average town between two and five thousand in population, there was only .82 banks on the average. In 1971 there was 1.21 [1045] banks on the average so there's more competition in towns of that size. The town there is really akin to the banking market. As one goes to bigger communities, for example, the ten to twenty thousand, there were 2.9 banks on the average in 1960, now there is 2.67 banks. So on the average there are more competitive alternatives.

Now Exhibit No. 9 does the same thing for banking offices—

MR. MOEN: Pardon me—

THE COURT: Eighteen?

THE WITNESS: No, 19. I'll come back to 18.

All right, the title is—number of towns in selected population ranges. Now, No. 19 does the same for banking offices, remembering that offices are this measure of convenience and also of competition and here the change is even more dramatic at ten to twenty thousand population size range of towns. We've gone from two and a half banking alternatives on the average to three and a half which is—or banking offices to three and a half and branching has increased in Washington.

Now, Exhibit No. 18, which is what I referred to in response to your question about structure, looks at Spokane and this is simply designed to compare Spokane [1046] to some bench marks. We took all of the cities in states which have some sort of a branch banking. And I fully recognize that no one comparison is going to be accurate, one against the other, but I wanted to paint a general picture to see where Spokane fits in the nation as a whole in the number of banks and the number of offices; and in the population per bank and population per office and see how well banked it is. Now that's Exhibit No. 18,

and the population per bank in Spokane was below average for all of these cities in the size range, which means that it has more banks relative to population, obviously, and in population per banking offices was well below the average. For example, in population per bank, Spokane had about 28,000 people as compared to somewhat over 30,000 for the average of all of these places. In banking offices it was 5000, a little over 5000 versus 6400, so Spokane was well banked relative to these bench marks.

Q What does that indicate to you insofar as Commerce's inability to branch should this merger be approved in Spokane?

A The existence of a large number of branches relative to population at the present time would imply that the community is well served in terms of branches, and even [1047] as the community grows there appears to be little if anything lost by Commerce's inability to branch.

Q Okay, now, Dr. Baxter, did you investigate actual performance in the market?

A Yes, I would answer that structure is only the first step and I did attempt to investigate the performance.

Q Did the conclusion you drew from your investigation of actual performance in the market support the conclusion you made from your structural investigation?

A Yes, that it was a competitive banking market.

Q Okay now, I direct your attention to the line of commerce, do commercial banks compete with other financial institutions for business?

A They do.

Q And have you examined the extent of this competition in the State of Washington?

A Yes, I have looked at the competition that the commercial banks face against the mutual savings banks, the savings and loan associations and other financial institutions.

Q Did you prepare some exhibits to indicate the extent of this competition?

A Yes, I did. I think they are now numbered 20, 21 and 22—I'll check that.

Q What is the relevance of this competition on these other [1048] nonbanking financial institutions?

A Well, it is relevant in terms of looking at how competitive the market is and it is relevant because it affects the environment in which these banks operate. It is going to affect the decision to enter that market because you have to look at who you are going to compete with and who you have to slice up the pie with, and it has to be considered or I am certain that is considered by the regulatory authorities when they look at the desirability or need for a new bank.

Q Would that be a particularly important factor in the doctrine of potential competition?

A Yes, I think it is. On this point, Mr. Moen, just with reference to those exhibits, let me note that mutual savings banks are relatively more important in the State of Washington than elsewhere in the nation and in fact they've grown faster in Washington over the last ten years than in any other state in the nation that has mutual savings banks. That's Exhibit 21, more than twice as fast as mutual savings banks in the nation as a whole.

Part of this is due to the ability to branch without restriction, and there are some substantial sized mutual savings banks in this state. If you look at mutual savings banks and savings and loan in [1049] Exhibit No. 22 and you put in their total footings when Washington Trust really ranks eighth of eleven in total footings of all of the financial institutions and all the depository financial institutions with which it competes on a day to day basis. That is Exhibit No. 22 if I have my cross-referencing correct, yes.

[1050] Q Now, Doctor, have you examined the competitive position of Commerce in various banking markets around the State of Washington?

A Yes, I have.

Q Is it meaningful to describe Commerce as a statewide banking institution?

A No, I don't think it is. It is misleading to talk about statewide banking institutions since your banking markets are essentially local in nature, a Seattle bank doesn't serve Tacoma, et cetera. What you have to do is, say, look, Commerce serves certain markets in which it has offices

and from which it draws deposits. It certainly serves Seattle and King County, it does not serve Spokane, as we know, Tacoma, or Everett. It serves some local markets, it does not serve others. It is in various communities in various parts of the state.

Q Can a bank compete effectively in a market where it doesn't have a banking office?

A No, it cannot. It may make a few loans or buy some installation paper or have one or two customer relationships because of specific reasons, but it can't be a meaningful competitor in any sense of the word.

Q Could Commerce effectively compete in the Spokane banking market from offices outside the corporate limits of the city?

[1051] A No, it cannot.

Q Now, have you prepared exhibits to determine the service area of Washington Trust Bank?

A Yes, I have done so. I was interested in where they derive their business from.

Q Would you tell us which of your exhibits pertain to this determination?

A 23, 24, 25—

Q Just a minute, are you referring to—

A I am referring to the new numbers.

Q New numbers?

A As marked by the Clerk.

THE COURT: I don't have the old numbers, I have to go by the new numbers.

MR. MOEN: I just didn't want to foul up the record.

THE COURT: That is fine. You have got the old Exhibit 20, it is now named 23.

THE WITNESS: I just referred to it as 23.

THE COURT: The red numbers are on all of mine. All right, go ahead.

THE WITNESS: 23, 24, 25, 26, 27, 28, 29 and 30 refer to where Washington Trust draws its business from.

Q (By Mr. Moen) And is the market area that you determined the same as what is show on Defendants' Exhibit 11?

[1052] A Yes, it is the Spokane—so-called Spokane metropolitan area defined by the zip codes on the map,

Defendants' Exhibit 11, and Washington Trust draws the great bulk of its deposits and loans both in accounts and dollars from this market area. It is a metropolitan Spokane bank.

Q And for the record, that is the same map, a copy of which is attached to the pretrial order.

Now, Dr. Baxter, the parties in this case have stipulated that there isn't any actual or direct competition between the two banks. I will ask you if you think there is any probability of competition developing between the two banks in the reasonably foreseeable future.

A No, I don't think there is any significant probability for competition developing. I think it is a very remote possibility.

Q How would the competitive effect of entry through acquisition of the small bank compare with entry by this proposed merger with Washington Trust?

A Oh, I think that you really are comparing, one, the competitive effect of entry through acquisition of a small bank, which is a very circuitous method and highly uncertain whether Commerce could ever enter the Spokane market by this means, and even if it were accomplished at some point in the future, there would be a limitation on [1053] its ability to compete without a strong base of Spokane business and without a sufficient number of offices and without real business connections in the community.

So although that might be pro-competitive at some time in the distant future, it certainly would be much less pro-competitive than the present merger. You are really comparing a very weak pro-competitive effect with a very strong pro-competitive effect and an immediate one.

Q Is the removal of Commerce from the wings an anti-competitive factor?

A I don't think it is for several reasons. I don't think the wings theory applies in a case where you are dealing with a competitive banking market. This is based both on the concept of the wings theory—you can't do much from the wings if there is already sufficient competition to keep people honest in the market—but it is also based on a lot of very broad-based interview studies that I have done in this state and elsewhere for cases such as this

one, in which I have talked to bankers and tried to determine, based on my knowledge of banking and the way they react to situations, whether this is ever a real effect. And when a banking market is competitive, the only conclusion that one can draw is that the banker is concerned with looking at the bank across the street [1054] and reacting to him and competing against him on a broad, whole range of variables, both price factors and branches and services and banking hours and everything else, and he is not concerned about some hypothetical entrant because he has enough to worry about from the firms in the market.

In this case the wings theory is even less important because there is enormous uncertainty that Commerce is really—could be a potential entrant given the circuitous route that it will have to follow to get into the market and the corresponding economic incentive that might conceivably push them to get in. So when you have a very uncertain potential entrant and competition in the market, the removal of the firm from the wings can't have very much effect.

[1055] Q Did you consider that economic base in the growth record of Spokane?

A Yes, I have, because that is relevant to determining what the economic incentive might be for entering the Spokane market. When a bank enters a market, especially on a very small scale, it realizes that it can only hope to get its share of the new business, it can't expect to take away very much business from other banking institutions, because of the nature of the banking relationship. So it has to depend on new growth. Spokane therefore, depending upon what the growth would be, would relate to the incentive to get in, and my review of this confirms the conclusion that Spokane is a moderately growing area, and there is not enough room there, if you will, to create enough new business to make a new entry at this time very desirable or profitable, in my judgment. The exhibits which I prepared to demonstrate this, that I won't go into in any detail, but to identify them are now marked 31, 32, 33, 34, 35, 36, 37, and 51.

THE COURT: Actually, according to your exhibit, the population of Spokane dropped in population from 180,000

to around 160,000, citywise, but Spokane County increased is that correct?

THE WITNESS: That is correct, your Honor. [1056] Like in many communities, a sea of people move out.

THE COURT: Well, that is right, Seattle does the same thing.

Q (By Mr. Moen) Now, Dr. Baxter, have you examined the Spokane banking base?

A Yes, I have. The banking base is really the most important part of the economic base in determining the incentive to establish a new bank for arriving at a judgment as to whether or not a new bank is needed in the market, such as this one. For example, Mr. Moen, Expo 74 could have a significant impact on the hotel industry, or the construction industry, but in my judgment, something like Expo 74 is not going to have any long-run effect on the banking base of the city. So one wants to look at what has happened to deposits in Spokane to arrive at this basis.

Q And did you tell us whether you believed Spokane to be adequately banked at the present time?

THE COURT: I think he told us that already, didn't you, Dr. Baxter?

THE WITNESS: Yes, your Honor.

A Yes, it is adequately banked, and again just referring to certain exhibits—

THE COURT: He told us that through the exhibit that said the average of the population per [1057] bank, 5000, I think it was, is less than the national average.

THE WITNESS: That is right, your Honor. Population per bank was less than the national average, and the figure that you are referring to is banking offices.

THE COURT: That is right, banking offices.

Q (By Mr. Moen) Did you prepare an exhibit, Doctor, to show the unincorporated areas of Eastern Washington which do not have a banking office?

A Yes, I did.

Q What is the exhibit number of that?

A That is a good question, Mr. Moen. This is now Exhibit No. 42.

THE COURT: All right, let's get to that one. No, that is not the right number.

THE WITNESS: I am sorry, I am confused by the numbers.

THE COURT: All right, that will be Exhibit No. 43. This is incorporated areas without a bank but your question was unincorporated.

MR. MOEN: I intended to ask about the incorporated areas.

THE COURT: All right, that is No. 43, Dr. Baxter, it starts with Conconully.

[1058] Q (By Mr. Moen) Do you want to comment on those locations with respect to whether or not they are candidates for a new bank?

A Yes, Mr. Moen. The incorporated places in Eastern Washington where one could establish a de novo banking office are very, very small. Towns of a significant size have already been banked in this state, and not only are very small, but many or most of them have declined in population, so there isn't a significant location, or very many significant locations for de novo banking in the State of Washington. They have all been picked up.

Q What do you think is the likelihood of Washington Trust of establishing de novo branches?

A I don't think it is very likely, since there are very few places where it could branch, incorporated places in Eastern Washington.

Q What about the possibility of Washington Trust being the lead bank and acquire other banks through merger?

A I don't think this is a very likely possibility. If one looks at the banks in Eastern Washington, banks that might be hypothetical acquisition candidates, the listing of which appears in Exhibit 44, most of these banks are very small, or are older banks that have had slow growth, which their small size reflects, or [1059] are really quite far from the City of Spokane. That is why we have this distance in here. It is very difficult to make acquisitions and acquire the responsibility of these communities which are a significant distance from where your base of operation is without a developed branching system and branching network to manage these things. It would create enormous operational problems, and you couldn't go into this

sort of thing by making one or two acquisitions, you would really have to develop a structure to run these branches. The only two rapidly growing towns in Exhibit 44 are Pullman and Ellensburg, which have had real growth, and those are both college towns, where the true population growth may not fully reflect the banking base of those communities.

THE COURT: They are getting more money in those towns, though, Dr. Baxter. I have a kid going over to Washington State, and I know that money goes over there. They are drawing on deposits here.

Q Dr. Baxter, if Washington Trust Bank were successful in acquiring one or two of these banks, would it make any impact on any banking market?

A No, I don't think there would be any competitive effect in any banking market. There would be too many financial and operational difficulties for Washington [1060] Trust to do this on any real scale.

Q Does Washington Trust have the resources to operate a regional banking system?

A Not currently. Nothing other than a very centralized local bank, local banking system. Given the fact that, you know, if you look at the Washington Trust Bank, to see where they have specialized, and what sort of people they have been able to hire, one comes up with the conclusion that they are paying quite high salaries, given their volume of business, to get good specialized people in the area in which they are operating, and in a sense they are running just as hard as they can to keep up in Spokane. And once one starts to operate a branching system, one needs to have sufficient management depth to be able to offer these banks they are acquiring something in the management area. I think the most common reasons, one of the most common reasons that banks merge, that very small banks merge, is that they are looking for management, management help, because older management is retiring, and they have to look to an organization that has this sort of depth. I would refer here just to Exhibit 45, which is based on figures compiled by the Federal Deposit Insurance Corporation, and it shows that no matter how defined, Washington Trust wage and salary expense is relatively high [1061] compared to banks in any size range.

THE COURT: It shows it to be the highest of all, doesn't it?

THE WITNESS: Higher than all of the average group, and the reason for this, your Honor, as I understand it and interpret it, is that when you are of their size and in a metropolitan area, you are a relatively small bank there, and to try to compete, you have to go out and really get the best people you can. If you are the size of Washington Trust in a small community, or with a few branches in a rural area, you can do just fine, you are big enough to serve that sort of community, but Spokane is really a different type of area, and requires these expenses. It would seem very, very unlikely that they could invest in more specialists to go beyond Spokane.

Q Do you believe there is any banking market in Washington in which potential competition is likely to be eliminated by the merger of these two banks?

A I do not.

Q Do you believe the banking competition in Spokane is in any way affected by the possibility that Commerce might some day enter that market?

THE COURT: Well, he has already answered that, and he said no, isn't that right?

[1062] A That is correct.

THE COURT: The reason I keep doing that is because I want to see if I am remembering what he says.

THE WITNESS: I might also say, your Honor, that after the merger was announced, after it was announced that Commerce was coming in, it might well be, because then it is a real probability, but before this was announced, certainly, no.

THE COURT: You don't think any of the banks from Spokane are going to put that for sale on the windows, do you?

THE WITNESS: I don't think so, your Honor.

THE COURT: All right.

Q (By Mr. Moen) Dr. Baxter, would you sum up for us your analysis of the effects of the proposed merger on competition?

A Well, just to summarize, I think that this is a strong pro-competitive merger. The only way that one can enter

a community like Spokane is with a base of banking business sufficient to be a good competitor. The only way that one can bring special services into the area like international banking or agriculture or whatever, is when it has a business base supporting it, and Washington Trust Bank provides that business base. It provides enough of an entry into the market to be able to compete effectively. It is a pro-competitive [1063] merger in a market that is already competitive at the present time. I don't believe that Washington Trust would be likely to expand on any meaningful scale absent this merger. I don't believe that there is any real probability that Commerce could enter the Spokane market other than through this merger. Even if it could enter circuitously, it couldn't do so with any significant competitive effect.

I think where one looks that Commerce has entered, such as Grandview, I went to Grandview and talked to some businessmen, this was next to the last small acquisition for Commerce—

THE COURT: You did go around to Eastern Washington, didn't you?

THE WITNESS: I drove across the state many times, your Honor.

THE COURT: Did you stop at Sunnyside when you went to Grandview?

THE WITNESS: I think I may have missed Sunnyside.

THE COURT: You probably had to go right through it. Go ahead.

THE WITNESS: One thing I learned, and although it sounds like an isolated fact, I think it is indicative, Commerce, came in I believe in 1968, Old National had been [1064] the only bank there. Prior to that time Old National never really offered trust services. Commerce has a traveling trust man, I believe based in Yakima or maybe the Wenatchee man covers Grandview. He goes through a few times a month. Now Old National does the same thing. This is the pro-competitive effect.

MR. MOEN: May I have a moment to talk to co-counsel?

THE COURT: You haven't offered these exhibits?

MR. MOEN: No, not yet, your Honor.

(Brief pause.)

MR. MOEN: That is all the questions I have, your Honor.

THE COURT: Mr. Hartman?

MR. HARTMAN: I have one or two, your Honor.

MR. MOEN: Before Mr. Hartman asks his questions, I would like to offer in evidence Defendants' Exhibits Nos. 12 through 52.

THE COURT: All right. Any objection to those exhibits? Who is going to do the objecting?

MR. HOFFMAN: I am, your Honor.

THE COURT: I want to be sure I get the right one. Mr. Hoffman?

MR. HOFFMAN: Hoffman, your Honor.

THE COURT: Hoffman. Yes, Mr. Hoffman, are [1065] you objecting?

MR. HOFFMAN: Your Honor, I would like to suggest that I save my objections until cross-examination.

THE COURT: I don't want to wait that long. I just want to know if you don't think they are material or don't think they have any bearing on the case or something like that so we can get this over with, and if you have specific objections, you should make them before your cross-examination.

MR. HOFFMAN: I am prepared to do that and I will if you would like that.

THE COURT: All right, go ahead.

MR. HOFFMAN: I expected that the witness would help me out on some of my objections during the course of cross-examination.

THE COURT: I don't think he is going to help you out very much, but I think you may be able to make an objection. Go ahead.

Mr. Hartman is going to ask a question.

[1066] CROSS EXAMINATION

MR. HARTMAN: Doctor Baxter, as I understand your testimony you have been involved in this case from the

outset and you have read the application and you have been to the hearing at the Comptroller's office, and were you here yesterday and heard Mr. Faragher testify when he testified as to what the National Bank of Commerce can do in terms of competitive benefits?

THE WITNESS: Yes, I was.

MR. HARTMAN: You were here while the intervenor's witnesses were here from Spokane and explained their needs; is that correct?

THE WITNESS: Yes.

MR. HARTMAN: Now, based on all of the things you have taken—you have been in Spokane and talked to people too?

THE WITNESS: Yes, on many occasions.

Q (By Mr. Hartman) Now based on all these things I want to ask you whether these benefits and this competition will serve only the particular people who have peculiar needs for these services, such as international banking services, or whether taking all these benefits as a whole they will serve the convenience and needs of the community itself?

A Well, I think it will definitely serve the convenience and needs of the community. The economic system is a [1067] circle, these people are not isolated—if they can get better international banking services or larger loans this allows more investment and more employment in the area and the increased competition goes across the range of the services that all banking customers buy, and all banking customers benefit from the general growth of the economy. So it is by no means an isolated circumstance, that's really what convenience and needs is all about.

MR. HARTMAN: Thank you, Doctor.

THE COURT: Mr. Hoffman?

MR. HOFFMAN: Your Honor, may I ask if you intended to go through lunch, because we have this other witness, our rebuttal witness, that would like to be informed.

THE COURT: Well, if you want to wait to cross-examine Dr. Baxter until after lunch you can put your rebuttal witness on before you cross-examine him, if you wish.

MR. HOFFMAN: I'd be happy to do the cross-examination now but just for the information of—

THE COURT: Well, all right, no, I'm not going through lunch but I am going to shorten the lunch hour from an hour and a half to an hour and then one will have a chance to drink any part of their lunch. We'll cut it down to an hour.

[1068] MR. HOFFMAN: All right, let me ask you, may we suggest our witness at 1:00 o'clock might be a good time?

THE COURT: That's fine, you know the reason I say that about cutting you down, in San Francisco it is my experience that it takes two and a half hours for lunch, three martinis first and then lunch. Here, that isn't the custom in the City of Tacoma. We'll make it an hour. All right.

CROSS-EXAMINATION

BY MR. HOFFMAN:

Q Dr. Baxter, you mentioned that you have testified in three previous potential competition cases, is that right?

A Three cases where I think potential competition was the essential issue.

Q That's right. Were there any other bank merger cases that you testified in?

A Yes, I testified in the United States vs. Provident National Bank—

THE REPORTER: The name again, please?

THE WITNESS: Provident National Bank of Philadelphia—for the intervenor, the Comptroller of Currency, —In the United States vs. Phillipsburg [1069] National Bank for the defendants; and this last fall the United States vs. Citizens and Southern in Atlanta, Georgia.

Q In addition to the three potential cases, that's four other bank merger cases?

A I think I had three other, I can check if you want me to.

Q In all these cases you have been a defense witness?

A Except the time that I testified on behalf of the intervenor in the Provident case.

Q That's right, and in that case the intervenor had intervened on the side of the defendants?

A That's correct.

Q You mentioned that you were familiar with the various District Court opinions in the cases brought by the Department of Justice involving these various bank mergers. I take it that you are equally familiar with the Supreme Court opinions on these bank merger cases?

A Yes.

Q You, at the beginning of your testimony, you discussed banking structure and its relationship to the competitive performance of banks and how the structure affects the banks competitors' performance?

A Yes.

Q You did say that there was a relationship between banks—banking structure and performance?

[1070] A I don't know the exact words that I used. I think that there is a theoretical relationship between structure and performance and that structure, therefore, is a useful starting point. Structure doesn't tell you the whole story and it doesn't necessarily tell you that—it can be very misleading, but it's a starting point. But there is the conceptual relationship anyway.

Q You are the author of an article in the National Banking Review entitled Banking Structure and Non-Banking Financial Intermediaries, is that right?

A Yes.

Q And that was written in 1967?

A Yes.

Q In the course of that publication you attempted to correlate banking structure with competitive performance of banks and the relationship between structure and performance, is that right?

A I believe so. You know, it's been a very long time since I've looked at that.

Q Well, let me refresh your memory. In one section of your article, entitled Per Capita Financial Offices, in it do you say that you use the measure of financial offices per capita to measure the quality of banking services?

A Yes.

[1071] Q Now on the next page you state that "the

concentration variable has a consistently negative and statistically significant effect on the number of financial offices per capita. This implies that where commercial banking is more concentrated the overall quality of financial services as measured by offices per capita is poorer." So then in one analysis you began to try and correlate, concentration with competitive performance and you indicate that, in a general way, the higher concentration the poorer the performance?

A Well, the statistical relationship there between one particular measure of performance and a measure of concentration, that measure of performance, as I recall, also included nonbanking financial institutions as competing with commercial banks, and the total number of offices that they have, and you know, I really don't remember the details of what was done or the caveats or the other variables. It took several years to explain what underlies that.

Q Well, I think, in all modesty, that I understand what you are driving at. It says that the concentration variable "C," which refers to an equation that you used to measure the overall effect of these various factors to the total level of offices per capita, the effect of the concentration variable is consistently negative and [1072] statistically significant.

A Well, that's exactly what that says in that particular study of that particular measure.

Q I am sorry, doesn't that mean that the concentration variable alone, holding all the other factors equal, has a negative, consistently negative and statistically significant effect—how did you say it—on the overall quality of financial services?

A On that one measure, financial services done at that time on that particular statistical approach, that was the result that was achieved; that is correct.

THE COURT: Let me ask you this, Dr. Baxter, and everybody concerned: How do I treat that in view of the fact that in the Spokane area wherein the statistics show that the population of banking offices in Spokane is smaller, even less than the nation?

MR. HOFFMAN: Your Honor, I fully intend to cover that.

THE COURT: All right, I hope you will, because they get wound up in them and I keep remembering those kinds of things and wondering what import I get from this, you see. All right, go ahead.

MR. HOFFMAN: I will move to that right now.

THE COURT: All right, do it.

MR. HOFFMAN: Let's see if I can find the [1073] number of the exhibit that you referred to.

THE COURT: You mean what exhibit—it was in the 30s somewhere, I think.

MR. HOFFMAN: I'll find it in a moment, I'm sure.

THE COURT: Maybe 33, somewhere along in there, let me have those back and I'll find them.

MR. HOFFMAN: I think it may be 14 and 15, your Honor. No, that's by states so that would be—17, 18 and 19.

THE COURT: Just look at 18, isn't that one of them? The National average is 6,449, Spokane, 5,015.

MR. HOFFMAN: I want to make sure I have these numbers right.

THE COURT: It is 18.

MR. HOFFMAN: 18.

Q (By Mr. Hoffman) So in this exhibit you have compared, is it right that you compared every city in the United States in this population relation to Spokane? It seems to be very comprehensive. I would just like to know.

A It's where branch banking is permitted, which is really the only meaningful comparison. In unit banking states, you get many, many banks and much fewer banking offices. It's just not a comparable thing, because downtown banks have established strings of affiliated banks in the [1074] suburbs and they appear in the data as if they are independent banks and they're really just affiliated regional suburban banks. So you can only make a comparison among limited and branch banking states and I believe this is all-inclusive.

[1075] Q All right. Let's turn first to the—that aspect of the cities in which branch banking is permitted.

Now, you are aware, I assume, of the variations in the branching laws among the various states in this country in a general way?

A Yes.

Q You know, for example, that California has unlimited statewide branching, no home office protection?

A Yes.

Q Virginia has a more limited kind of statewide branching, statewide branching by merger—but de novo branching is more limited, with various exceptions; New York has got its own, New Jersey—they both have their particular restrictions on branching; would that affect the figures that you have compiled?

A It would affect any individual combination, Mr. Hoffman. It would affect comparing Santa Anna, California with Spokane or Jersey City, New Jersey, any individual comparison. But the only way one can make —can get to a bench mark is by taking some sort of an average of these things.

Now, actually, in being familiar with the branching restrictions in these various states, the degree of restrictiveness in Washington is somewhere in the middle. Many of these states have much greater [1076] restrictions and many have much less. It is somewhere in the middle. And I think that the comparisons to me are meaningful of what one can expect in terms of these populations per bank and banking office.

Q So the variation in branching laws would in individual cases perhaps make comparison difficult?

A That's why I want comparison against an average.

Q Now, what about the various economies of these cities; does the fact that one city may be located in the middle of an agricultural area while another is urban and another might be suburban affect the population per office in those individual cities?

A Well, not really very much because, you know, these are all cities of between 125,000 and 225,000 people. Now, a few of them may be part of a broader metropolitan area, but the vast majority of them are like Spokane, communities of that size, free-standing communi-

ties of that size. So I don't think that would amount to much.

One might say Anaheim, California is part of the Los Angeles area, so it doesn't really tell us very much. But most of these others are quite comparable.

Q Okay. Your comments would applicable to places like Patterson, New Jersey, for example?

A It might be.

Q Yonkers, New York, Bridgeport, Connecticut being close [1077] to Manhatten?

A It's about 40 miles, I believe, 30.

THE COURT: From where?

THE WITNESS: Bridgeport, Connecticut, I think that's the area, an industrial community.

Q (By Mr. Hoffman) You testified as a witness for the defense in the United Virginia Bankshares case?

A Yes.

Q Did you prepare similar exhibits comparing population per banking office, for example, in various towns and cities the size of Manassas, Virginia and similarly sized towns and cities elsewhere in the United States?

A I believe so. I would have to refresh my memory. But I think this is an important area for an economist to look at in arriving at judgment, and I made the same sort of an analysis there.

THE COURT: You know, this reminds me, counsel, years ago we used to have what we called barnstorming baseball teams who would go around the country and play against each other, one community to another. This is the same situation, I guess, Hartman and you barnstorm around and go everywhere and play against each other.

MR. HOFFMAN: Sometimes we refer to it as the traveling circus, your Honor.

THE COURT: All right, go ahead.

[1078] Q (By Mr. Hoffman) Do you recall making any concession in the United Virginia case as to the value of such comparisons?

A I don't—I don't recall exactly what I testified to in that area.

THE COURT: He will probably concede that the com-

parison is only one factor that you look at in order to make the final determination, I will guarantee you that's about what he says.

MR. HOFFMAN: I am having difficulty locating the exact passage. But as I recall, Dr. Baxter may remember after I remind him, that in response to certain questions from the Court, he agreed that the various comparisons among different cities throughout the United States were "nebulous" I believe the word was.

THE COURT: Nebulous?

Q (By Mr. Hoffman) May I ask the witness whether he recalls that?

A I would have to see the passage. I don't recall it precisely.

THE COURT: Go ahead, find it.

MR. HOFMAN: I know it's there.

THE COURT: Nebulous means in that context, as I understand it, you have a hard time pinpointing the relevance. Isn't that the idea?

[1079] MR. HOFFMAN: That's right, and I found the passage, your Honor. I will quote from the transcript in that case at page 577—

THE COURT: You carry all these transcripts around with you of all these other cases? Go ahead.

MR. HOFFMAN: The question was on Mr. Baxter's direct examination—

THE COURT: Was he a tough Judge, this Judge?

MR. HOFFMAN: The toughest. I am sure he will agree with that.

THE COURT: All right, that wasn't Marriage?

MR. HOFFMAN: That was Judge Oren Lewis.

THE COURT: Go ahead.

MR. HOFFMAN: The question was asked, "First of all, so that we may have a bench mark, have you investigated the ratios of population per bank and per banking office in Virginia and compared that with other states? I call your attention to Exhibit D-10.

"A I have. Exhibit D-10 shows that Virginia ranks very low among statewide branching states in population per bank, per banking office and per banking organization.

"THE COURT: That again doesn't prove very much, does it?

MR. BUFORD: [who is counsel for the plaintiff—[1080] or for the defendants in that case who is examining the witness,] "MR. BUFORD: Except for bench marks.

"THE COURT: It doesn't prove a thing, does it? Virginia prohibits banks from doing many things that other states allow. They allow some things that other states prohibit. Isn't that right?

"DR. BAXTER: Yes, your Honor. In D-10 we compare it only to those states that had—

"THE COURT: Do you follow what I mean?

"THE WITNESS: I do.

"THE COURT: So again it is a nebulous comparison."

THE COURT: Well, of course, that is different, that is the Court.

MR. HOFFMAN: I agree, excuse me.

THE COURT: You see, that was the Judge that was testifying, like I do sometimes, and I'm not going to accept his testimony in this case.

MR. HOFFMAN: I will find that concession in just a moment, your Honor. I know it's here.

THE COURT: He may be important in his own court but he is not important here.

MR. HOFFMAN: That's right, but the witness says —and I found the passage I was looking for—

THE COURT: All right, nebulous, he said [1081] "nebulous", the Judge did.

MR. HOFFMAN: The witness agreed at this point, I think you will hear.

THE COURT: Well, I force people to agree sometimes, like Torre, he doesn't want to but he has to. All right, go ahead.

MR. HOFFMAN: All right, I will start with the remarks of the Court, on page 570.

THE COURT: All right, go ahead.

MR. HOFFMAN: (Quoting) "Is it either relevant or material or necessary to compare the Prince William situation with New York, Delaware, Baltimore, Wash-

ington, or anywhere else? You have just indicated that the structure, as indicated in those other states"—and there is a grammatical error—"so aren't these comparisons rather nebulous to say the least?

"THE WITNESS: Yes, sir. I believe they are nebulous, your Honor."

THE COURT: Well, sometimes witnesses try to get in, for some unknown reason, get in the good graces of the Court, and when the Court says isn't that true, the witnesses say yes. Now of course attorneys don't do that, but the witnesses do that. So I don't know what bearing that particularly has on the thing here. What I asked him, and what I assume to be the fact here [1082] is that there are five thousand and some odd people in the Spokane City banking market per banking office and he told me he thought that had some bearing on the competitive aspect of the bank, the branch banking situation in Spokane, and he also told me that he thought branch banking was the result of competition because banks go out and branch in order to meet other banks' branching. You know, just like Colonel Sanders chicken places, there are branches on every corner, and Big Mac hamburgers now, because of competitive desire to go out and compete. Isn't that right?

MR. HOFFMAN: That is right, your Honor. I have some more points to make with this group of exhibits, comparing both Spokane with other cities, and various measures of banks in Washington with other states.

THE COURT: Well, I will tell you, we are about ready to recess now, but I'll tell you about those exhibits and what they show, as far as his testimony is concerned. The way I understand his testimony, and the way I understand Dr. Haywood, these are economists, that they look at these exhibits that they have prepared; it gives them some basis for forming an opinion as to either anti-competitive or pro-competitive effect, and whether or not concentration in this area does so and so, [1083] that is an opinion they arrive at, as I understand it, and they try to get as broad a research analysis of the community and all the factors as a basis for their opinion.

MR. HOFFMAN: Well, that is true, but sometimes they have more brush than paint.

THE COURT: Well, let's say this, and this is not in derrogation of the economists' testimony at all, well, it is I guess in effect but I don't intend it in an insulting fashion, I have tried a lot of cases over the past seven years here, and previously all I ever did was try cases for the thirty years previously, and it is my feeling that opinion witnesses, and that goes for even lawyers' opinions on fees, sometimes they are called to testify, obviously their opinions are affected by people by whom they are hired. Just take psychiatrists, for example; I just tried a case in Spokane, an Indian murder case over there, and we have nine psychiatrists, and the jury had to sit there and hear five of them say yes, and the other four say no.

What I am trying to say is that in the opinion area there are a lot of factors that you consider. I always consider the side that they're on, and all the rest of it. And these exhibits, all they do for me is let me know that he has done some work out there, he [1084] just doesn't come in here cold turkey and say it's his opinion without having done an investigative job as a background for his opinion.

MR. HOFFMAN: The witness has used these exhibits to support certain conclusions—

THE COURT: Well, he should. If he didn't do that, they wouldn't hire him.

MR. HOFFMAN: Well, that is right.

THE COURT: He should come in here with a foundation.

MR. HOFFMAN: I would like to just make a couple of points, your Honor.

THE COURT: Well, I am going to let you do that, but I just wanted to let you know how I consider opinion testimony.

MR. HOFFMAN: I appreciate that, your Honor.

THE COURT: I will also go further and say that his opinion makes sense to me. It has a common sense approach, but you see counsel I am going to tell you how I think up here, so you just get an idea of where we are

going. I just don't limit my decision to what I hear, and the exhibits that are in here, and I don't think that I am supposed to. I think I am supposed to draw on a little experience that I have had over the years, for whatever it is worth, in the light of my own human [1085] experience. That is what we instruct jurors to do when we instruct them, that they use their own common sense in making certain determinations as to whether they are valid or invalid, and that is what I try to do. So I take the testimony of all witnesses in that light, so ultimately the result I am going to reach is going to be predicated on what I have heard here and how I interpret it in the light of my own experience. So that should give you an idea in the future, and here, as to how to be a good lawyer, if you have a judge who has indicated how he considers these things, you never ask a question that doesn't make sense to you, because if it doesn't make sense to you, it doesn't make sense to him either. Now what I am driving at is, to get right down to the bare issue, this case, I might even tell you this, Mr. Torre, this case as I see it presents the identical issues that were presented to Judge Boldt in the Idaho case. I have read that case over and over again. Now Spokane is a larger city than Twin Falls, but it presents the identical issues, you raised the same objections, the defendants countered with the same kind of defenses, I just got through reading it again, and I was trying to calculate, what differences are there, save and except his conclusions and mine may differ, but it is about the same situation.

[1086] MR. HOFFMAN: I would agree that the issues presented are quite similar, yes.

THE COURT: They are very similar, very similar. I have read the headnotes again, and they are right down the line, exactly what we have here. It has the same claims, another bank going into Twin Falls and the same claim here, a bank going in de novo or toehold into Spokane, the same thing.

MR. HOFFMAN: As you know, your Honor, the Idaho case has never been appealed.

THE COURT: Oh, I understand, and I don't care.

Even though I said I felt like a judicial eunuch, I don't consider what is going to happen after I make a decision, I don't care that much about it, because I look at it this way, there are a lot of people on the Circuit Court of Appeals who haven't had the background that I have had. There are a number of them who haven't tried a case before they got there. A lot of those people on the Circuit Court of Appeals have a different philosophy, a different approach to problems than I do, so I couldn't expect them to agree with me, and they don't agree with each other, and for the Supreme Court of the United States, the same thing goes. Look at what has happened since we have new men on the Supreme Court, there are all sorts of areas, philosophical [1087] approaches to things, things have been changing rapidly back there Justice Powell and the Chief Justice, have changed it entirely. So appeals don't mean a thing to me.

MR. HOFFMAN: Your Honor, may I make one point before I move back to these exhibits. I don't know if you are aware of it or not, but there is an expediting act which results in—

THE COURT: You mean it goes directly to the Supreme Court, I know all about that, and I am not concerned about that either.

MR. HOFFMAN: Well, you understand then that we have to consider that possibility in our case.

THE COURT: You know, counsel, I'll tell you something else. One of the problems in government, as far as lawyers are concerned, and I have had this problem because I have hired a number of them lawyers. The firm which I started out in by myself now has 22 lawyers and I have hired an awful lot of young lawyers in that firm, and also I have hired young lawyers in the Justice Department. It is a real problem, with young lawyers coming out of law school, you can't get old practicing lawyers to go into the antitrust division of the Justice Department very easily, so you have to rely on young lawyers, and that is why, contrary to what most [1088] judges would have done, I permitted Mr. Silverman to come here, and he hasn't even been admitted to the bar yet. Now there are very few judges throughout the

country who would have done that. I may even have been wrong in doing that, the rule here is that you have to be a member of the bar of the Supreme Court of the district where you come from, but I let him come in here anyway.

MR. HOFFMAN: And we appreciate that, your Honor.

THE COURT: So you see you haven't had it all bad. All right, we will recess now until 1:00 o'clock.

(RECESS)

[1089] AFTERNOON SESSION

1:00 P.M.

NEVINS D. BAXTER,

resumed the stand and testified further as follows:

CROSS EXAMINATION (Cont'd.)

BY MR. HOFFMAN:

Q Dr. Baxter, were you present during the testimony of Dr. Haywood?

A Yes, I was.

Q Do you recall Dr. Haywood's statement to the effect that political boundaries really don't mean very much when you are comparing banking structures?

A I recall a general statement to that effect.

Q Well, I will read you what my transcript says and I will ask you whether you agree with that or not. This is at page 360 of the transcript in this case. The previous discussion related to the different areas that might be considered banking markets.

"Q How about the counties as a unit, does the county constitute a banking market?

"A Not necessarily, the question of what is a banking market turns on where the bank is located and where it draws its busines from and it might just draw from part of the county and it might just draw its business from all over the county and it might draw [1090] business from two parts of two counties, and so forth. In other words, political boundaries don't really tell us too much about the banking market."

Do you agree with that?

A Yes, I do.

Q How would that affect the conclusion that you would draw from your comparisons, for example, in Exhibit 18, which I take it compares these various figures within the political boundary of city limits?

A Let me find that exhibit. Well, I will make two points on that. First of all, the general one that while counties do not indicate anything about banking markets necessarily, nor do cities, for that matter, one has to use data, one has to have a starting point for data, most data gathered on a county basis, and on a city basis one has to take a random selection of what makes sense in terms of the local area, and start to gather data on that basis and make comparisons. I don't think that there is an implication just because someone looks and makes comparisons between counties that these are necessarily conforming to the banking markets.

The second thing in terms of comparing population for banking offices in cities, especially in states where branching is permitted, the city normally [1091] has a certain number of banks located downtown who are serving the business community of that city. The market for these banks may be broader than the city, or in some cases it may be narrower than the city, that is true, but in general what you are saying is how many downtown banks are there, and in branch banking states most of these banks downtown have some branches throughout the city, in many cases, and basically these are the alternatives available to serve the business community. As I understand the whole concept of competition, it is how many alternatives does the customer have, and I think that is what these bank figures are designed to show. You could do the same thing based on counties, and you would get a comparable result.

Q So let me recapitulate a little bit on this. We discussed the effect of different branching laws on the numbers that are contained here, the different economies of the cities that are listed here, the effect that political boundaries might have, and all of these tend to make the

comparisons contained more difficult; would you say that is true?

A I wouldn't say that they make the comparison which I tried to make more difficult. I think they warn you from going too far with this data. You can't look at [1092] this thing and say that is implied automatically, that one city that has a lower figure is different from another city with a higher figure. You have to take these things into account and understand something about the economy, and go further than just statistics. That is true of all statistics.

Q And you said that Spokane was somewhere in the middle group of the cities, I believe; is that right?

A On what basis, on population?

Q On population per office.

A Well, it is below average, significantly below average, but there was some that were higher and some that were lower.

Q Well, just how reliable a conclusion then can you draw from the fact that Spokane is in the middle range of the cities and all of these factors are at work that tend to qualify the conclusion that you would draw?

A Well, I think you can draw this conclusion, Mr. Hoffman, that I have studied this banking market, the nature of the banks competing here, the types of service the customer is getting, in detail. I then compute some statistics to see what is normal for a city like this, how many banks and banking offices is normal: If Spokane came out as some extreme, if it were way above the average, if it were at one end of the distribution, [1093] then I would say, you know, that most cities of this size have more banks and banking offices, and why doesn't Spokane. I would have to look beneath that and try to figure it out. What I have done here is say, look, this is what seems to be normal, this is what seems to be an adequate number of banks to serve the cities in the nation as a whole, Spokane is lower than that. So even after you account for all of these things, it is a reasonable banking structure, one that should be competitive, and taken together with my other testimony, that is the conclusion that I draw.

[1094] Q Just for the record, Dr. Baxter, the average figures that you used were computed as to the average bank, average population per bank population and—

A I believe the right-hand column were averaged summed up and divided by the number of cities.

Q That's what you call a simple average, is that right?

A It is an average of the population per bank figures. It doesn't weight by the population average in any city and I wouldn't want to weight the bigger cities in this group rather than I would the smaller cities in the group. I would want to give them all the same weight, each city has a weight of one which I think is the logical way to do it.

Q I'd like to return to the subject of structure. Dr. Haywood, I believe, testified that Spokane was what he called a structurally competitive market—do you recall that?

A Yes.

Q Would you agree with that?

A Yes, I would.

Q What would you call a structurally noncompetitive market?

A I would say that, well, you're actually asking me for an example of structurally noncompetitive markets, I would say that a structurally competitive market occurs where [1095] you have very small banking institutions, locally based, perhaps unit banks serving reasonably small cities, where there isn't too much room for innovation, there isn't much new blood in the industry—those are the structurally noncompetitive—they're small organizations. I think in the structurally competitive situation you look through these organizations, what are they—the largest bank organization in the state, the third largest bank organization in the state, the fifth largest, this was part of his conclusion, at least it would be part of mine in making that evaluation. I would say the City of Spokane with two banks would be structurally noncompetitive.

Q I'd like to refer again to your testimony in the United Virginia Bank case and in that case during the

cross-examination on the subject of some previous testimony that you made in the Phillipsburg case came up and on cross-examination at page 623 of that transcript you were asked, quoting from the Phillipsburg decision—the question you were asked in that case was "What do you consider the high ratio, that is a high concentration, what do you consider a high concentration ratio?" And the answer as quoted in the transcript that I have that you gave in Phillipsburg was "I think it is difficult to put a precise number on what is high and what is low. [1096] I think that if we compare cities which have an 80—SMSA's with 80 to 90 percent concentration of the three largest banks in cities with SMSA's of 39 percent then one would say that concentration is greater and perhaps the competitive—ability of the largest firms to exercise some market power is greater than in the case where the concentration ratio is lower—that is the significance that I bring to that and I think we are dealing here with banking markets which are the least concentrated in the country."

MR. MOEN: Is that a question?

MR. HOFFMAN: I'm continuing, I wanted the reporter to get that—then you were asked the question "So you would admit that there is some relationship between market power and concentration? Answer: I would admit that there may be some relationship between looking at these statistics as first proof from the sources of comparisons I was making there and that SMSA with three banks has 90 percent of the market where SMSA with one bank has 30 percent of the market. We are talking about areas with several hundred thousand people, SMSA's urban areas and to look at these things on their face, these statistics with no other information, they will tell you something."

Q Do you remember the concentration ratio for the top [1097] three banks in Spokane?

A Measured on the basis of Spokane deposits?

Q That's right.

A It is relatively high in that area, banking organizations.

Q The top three banking organizations in Spokane hold 90 percent of the local bank deposits?

A Local bank deposits, that's right.

Q That's right. Now Spokane is an urban SMSA of the same type that you're referring to there. Would your observation there that the urban SMSA with three banks held 80 to 90 percent of the local deposits, that that concentration ratio would tell you something?

A Well, I don't think that it would tell you very much. I can explain why. In Phillipsburg we were talking about two states involved, New Jersey and Pennsylvania. The branching law was such at that time that they—it hasn't changed in Pennsylvania, it has in New Jersey, banks were only allowed to branch in the County of New Jersey and the contiguous counties of Pennsylvania. The market that we were talking about there had essentially and I'm not sure this is precisely correct, but there were a few out of town banks that had moved around, but essentially all of the resources of those banks in that market were drawing from the area that was under consideration. To say that in the state where much of [1098] the resources come from outside a particular market one has to qualify even more carefully the use of the concentration ratio.

The fact that the Pacific National Bank of Washington is such a large organization even though it has a small base in Spokane has to be considered in looking at the structure.

[1099] Q A lot of people suggested that Pacific National doesn't make much difference there.

A It may well have a lot to do with the needs of the Spokane economy. At least that's my judgment because of the way they came in. But be that as it may, you can't look at—just as it's not fair to take the total resources of an organization in computing concentration, it may not be fair just to take the local resources. One has to look at the nature of the organization.

I think that the quote that you read from Phillipsburg, I was being asked isn't concentration relevant at all, isn't it a starting point, and I said there as I said this morning, that's why I started with those exhibits because I

think that is an appropriate thing to look at. But there are a lot of limitations in looking at the structure based only on concentration. And initially in looking at Spokane, yes, I would say this is by definition some concentration there. When I studied the situation, it did not have adverse implications of competition.

Q I would like to clear up a few things. First of all, wasn't that testimony in the abstract and not really related to Phillipsburg as such?

A I don't recall, but I would agree with you in either case, [1100] I would agree with it in the abstract as well.

Q And would it be fair to say that that example that you gave of three banks controlling 80 or 90 per cent of the local deposits in urban SMSA was what you thought at the time to be a rather extreme example of concentration?

A No, I was saying to the extent that concentration is meaningful, and I qualified it that way, I believe even in the passage that you just read, to the extent that concentration is meaningful, here is one example, here is another.

Now, to that extent one is less concentrated and be more competitive than another. But that's the first starting point.

Q I would like to move on to Defendants' Exhibit 13, which shows the relevant share of the total state deposits of the second largest bank or banking organizations in states we have statewide branching laws, 1955 and 1970.

You would agree that your previous comments to the variations in banking laws among states would also be applicable to this exhibit?

A Yes.

Q Exactly what conclusion do you draw from this exhibit?

A Well, as I prefaced my testimony, this is really interesting only as background. What it shows is that [1101] Washington hasn't done any better, it shows it has done worse in accounting for—when you account for national deposits, it's still worse. But really it hasn't done any better than the second largest bank in other

markets. It has not been increasing its market share rapidly and I think that's the beginning and end of the conclusions that I would draw from it.

Q All right. So you wouldn't call this any structural measure?

A I wouldn't call it a very important reason on which to base my evaluation.

Q I would like to turn to Defendants' Exhibits 14, 15, 16, which show the number of commercial banks and banking offices by state, the change in the number of banks and the banking offices by state, and the percentage change in number of commercial banks and banking offices by state for various periods.

I think you testified that a relatively high number of offices in local markets indicates a relatively high level of competition, is that right?

A Yes.

Q Well, would you say that—well, for example, since 1960, between 1960 and 1971, the number of banking offices in the United States increased from 24,000 to 37,000; does that indicate that banking in the United States has [1102] gotten more competitive over that period of time?

A That it has gotten more competitive?

Q Yes.

A Well, I don't know that it necessarily implied that, but it certainly implies it was competitive or has been competitive during the period because it is competition that drives these banks to go out and put up more offices. So it has been competitive.

Now, I would also conclude that the performance in 1971 was better than in 1960 because the public was more conveniently served. So I think those are the two ways that I would interpret that data.

Q Well, would you concede that one possible reason for the increase in number of banking offices might be expansion of the economy in that period of time?

A Well, certainly, the expansion of the economy makes it economically attractive for the banking organizations to do so. But consider a case of a bank in an area where it has a lock on the deposits. You don't have many

banking markets like that, I can hardly think of a one, but consider an area where a bank really has a lock on the market, what is its incentive to establish branches? It gets all the business from its downtown office, why spend money to have new facilities and drive-ins and cover the entire territory serving it any better than [1103] you have to? The only reason the bank does that is because it has another bank doing it first, that's one way that banks are competing for the deposits, and branches are extremely expensive to a banking organization.

Q Would you also agree that another explanation might be that urban areas during that period of time tended to expand geographically and urban areas developed and banks found it necessary to follow their customers out to where they moved?

A That may be, yes.

Q Wouldn't you say that—well, how useful do you really think these exhibits are?

A Again, Mr. Hoffman, I agree with your explanations, I think they are valid, I think my interpretations are as well. I think all of these points go into making an opinion. I can't do it on one figure. I think these are another link in the chain that I looked at.

THE COURT: Did you ever read the Idaho First opinion?

THE WITNESS: Yes.

THE COURT: I take it that you think Judge Boldt is a prety good judge because he said some nice things about you in there, is that right, Mr. Baxter?

THE WITNESS: I was flattered, your Honor.

[1104] Q (By Mr. Hoffman) I would like to turn now to Defendants' Exhibits 20, 21 and 22.

A Those are the ones about mutual savings banks?

Q That's right. I would like to refer again to that article you wrote in '67 in which you tried to measure some of the effects of concentration in commercial banking upon services offered by a broader range of national institutions.

THE COURT: This gets into an area like, you know, women always save all the letters they get, and the old

adage, "Don't ever write anything that you don't want somebody else to read," that situation.

Go ahead, Counsel.

THE WITNESS: One has to recall what is implied there.

THE COURT: Go ahead, Mr. Hoffman.

Q (By Mr. Hoffman) I would like to quote from part of that article. It says, "The concentration ratio appears to exert a positive effect on the ability of commercial banks to maintain their share of the savings deposit market." That refers to time deposits, is that right?

A Yes.

Q "The concentration variable for commercial bank deposits is significant in most years at the 5% level."

Now, is the meaning of that that the—the [1105] higher concentration ratio in commercial banking tends to insulate commercial banks from competition from mutual savings banks?

THE COURT: That is a pretty—

MR. HOFFMAN: I am confident he understands the question.

THE COURT: It wouldn't help me much if he understood it and I wouldn't, would it? I understand what you are getting at, but let me see if I can rephrase it so I am sure I get your question.

The question is, does the high concentration of commercial banks tend to insulate them against competition from the—for example, the savings and loans and other financial institutions, is that what you asked him?

MR. HOFFMAN: That's right.

THE COURT: All right, you can answer that.

A No, I don't think that that holds true in general nor do I think that it holds true in Spokane. In fact, these exhibits tend to contradict that.

What I was saying is that based on that statistical study where commercial banking concentration was greater, the inroads in the market by the mutual savings banks or, I guess, savings and loans are included there also. I don't recall, it happens to be less, and, [1106] therefore, you interpreted the conclusion correctly. But in the State of Washington we see mutual savings banks

have grown more rapidly than anywhere else in the country, and it does not reflect on that—does not jibe with that implied statistical conclusion.

[1107] Q This was based on an emperical study, is that right?

A Yes, it was a study that tried to get some conceptual relationship, or take some of the implications of the data and see whether you could draw any relationship from it.

Q You didn't do any sort of emperical study in the State of Washington, did you?

A A statistical econometric study, no.

Q Similar to the one you did here?

A No econometric studies were done here.

THE COURT: In averaging these out, did you use a mean, a medium, or a mode?

THE WITNESS: Most of the things are mean, I would say.

THE COURT: All right, go ahead.

Q I would like to move on to Exhibit 21 in particular, that you just referred to, the growth of mutual savings banks, their deposits, in the State of Washington between 1960 and 1971. I thought that you suggested that this showed that banks were not particularly successful in fending off competition from mutual savings banks in Washington, was that the tenor of your remarks?

A Well, I would say that there was active competition from mutual savings banks, and that they were not successful in fending them off.

[1103] Q And I believe you stated that mutual savings banks are more important in the State of Washington than elsewhere in the United States?

A Well, I said that they grew more rapidly, and that their share of total assets was higher in Washington than in the United States as a whole. I don't think I used the word more importance.

Q Well, I thought you did, and if you want to retract it now, I won't ask you about it.

THE COURT: More important here than anywhere else in the country?

MR. HOFFMAN: That is right,—

THE COURT: Well, I heard his answer, and my recollection is that he repeated it accurately now, that they grew faster, had a larger share of the market in Washington than anywhere else in the country, is that what you said?

THE WITNESS: That is precisely correct.

THE COURT: I thought I remembered that, and whether he said they were more important or not I don't know, but I don't think it would make any difference if he did or he didn't as far as I am concerned.

THE WITNESS: If I used that, this is what I meant by it.

MR. HOFFMAN: All right, that is fine.

[1109] Q I hate to make the obvious point, but you notice that in the State of Washington mutual savings bank deposits grew 1.1 million approximately during that period, which was 271 percent, while mutual savings deposits in New York grew by about 25 million, which was only 100 percent. So you would agree that these percentage figures don't really tell the whole story, don't you?

THE COURT: Well, wait a minute now. Let's get back to that again. They grew at a higher percentage here, but not as much as they did in New York dollarwise, is that what you are telling me?

MR. HOFFMAN: Well, they grew about 20 times as great in dollar amounts in New York as in the State of Washington, your Honor.

THE COURT: Dollarwise.

MR. HOFFMAN: Dollarwise, yes.

THE COURT: Well, you don't compare Washington Trust with a Chase Manhatten Bank either I suppose, in total amount of deposits, do you, counsel, as far as New York is concerned?

MR. HOFFMAN: No, I certainly don't.

THE COURT: All right, let's go to the next question.

Q (By Mr. Hoffman) You concluded on your direct examination that the wings effect so called is [1110] insignificant as far as the Spokane market is concerned?

A Yes.

Q Am I right in saying that the basis of that conclusion was that the market is competitive, and that going further, maybe, that the level of concentration of commercial banking there doesn't indicate that the market is noncompetitive, you believe it is competitive, and therefore the wings effect is slight? If it exists at all?

A Well, there is another element involved, and that is the means of entry into this market is so circuitous, is the word I think I used, that I don't think you can look at Commerce as a likely potenial entrant. So I think those two elements, together with the degree of competition there makes a wings effect in my judgment zero.

THE COURT: I think you went further than that though, Doctor. I think you also said the method by which they had to enter, the character of it was such that they wouldn't be competitive if they did, didn't you say that?

THE WITNESS: Precisely, your Honor.

Q (By Mr. Hoffman) You said during the course of your testimony that you conducted numerous interviews throughout the United States and the State of Washington [1111] which indicated to you that the wings theory in general wasn't applicable to banking as a generalization?

A I don't think I used the phrase throughout the United States, I said in areas where I had been involved in, and had a reason to do this.

Q But you really didn't conduct any formal poll?

A No, I didn't conduct a formal poll, but in learning about banking markets and banking needs, talking to bankers, discussing the local economy, as part of these interviews, and many of them, I have always asked questions of a banker, are you affected in your day to day business by the possibility that some bank might enter this market, in your interest rate, in your service charge, in your decision to branch, you know, you just go through the whole gamut of banking activity, and I honestly and frankly can say that I have never yet had a banker say yes. It is always that we are concerned with this competitor and that competitor and the other competitor and not by some theoretical possibility.

Q That is based on your talks with bankers in particular?

A Yes.

Q You discussed the economic growth in Spokane in terms of providing an incentive for NBC's independent or foothold entry?

[1112] A Yes.

Q And would you please repeat your conclusion as to that?

A Well, the question I asked myself was, is this the sort of market—

THE COURT: Just a moment. Your question is to have him repeat an answer that he gave previously that I think I remember.

MR. HOFFMAN: I just want the answer, I don't remember exactly what he said.

THE COURT: Well, I'll tell you what he said. He said that he didn't think the type of growth that Spokane was going to enjoy in the future was an incentive for a new bank to come in there hoping that they would gain growth by participating in the so-called new growth of the community. Now that is what you said.

THE WITNESS: That is precisely correct, your Honor. A new entrant competes for new business, and it is just a question of how much new business they are going to take.

THE COURT: If they are going to be in, would it be an attractive thing for them, that is the way I remember he answered it. And of course that is my job, to remember.

Q (By Mr. Hoffman) Now, I would like to refer to Government's Exhibit A-53. Now looking at that Exhibit [1113] I think it shows that between 1960 and 1972 commercial bank deposits increased by about 250 million, almost exactly,—

THE COURT: Just a moment please. Now where does this 1962 come in?

MR. HOFFMAN: I hope I said 1960 to 1972, your Honor.

THE COURT: All right, from 1960 to 1972, from 291 to 541, is that what you are talking about?

MR. HOFFMAN: That is right, that is about 250 million dollars, and an increase I compute of roughly 80 percent. So it appears that bank deposits in Spokane are growing a good deal faster than the population there, is that right?

A Well, that is true everywhere in the country. A lot of that is inflation.

Q Banks do deal in real dollars though, isn't that right?

A They pay their employees in real dollars, and their cost of operation, they build their buildings with 1972 dollars as well. The dividends to their shareholders in 1972 are also in 1972 dollars.

Q Would you say that this kind of deposit growth indicates that there is a continuing growth in deposits available to the banks which are both in a market or which might want to enter a market?

[1114] A I would say that this type of deposit growth is only meaningful if it is compared with other areas, this is all just inflation, or largely inflation, growing balances of the same customers who might not switch banks anyway, then I would come to one conclusion, if this was the highest in the nation, and it occurred by new people moving into the area for whom a new bank could have a good chance of competing, then I would reach the other conclusion. You know, this is why I did some analysis of the banking business myself, and in one of the exhibits actually used a price index to see what we had. I did not mention it this morning but I think that is a relevant answer to your question.

Q Would you—

THE COURT: Well, just let him finish this one. I want to know how much inflation is involved.

MR. HOFFMAN: Well, I am sure it is not 250 million dollars.

THE COURT: Well, we don't know how much, but it isn't small, counsel. The same home that was worth $35,000 in 1960 is now worth $75,000 or $80,000.

THE WITNESS: Your Honor, Exhibit 40, which is now Exhibit 41, takes a look at the two most recent periods for which data are available. The 1960 figure

incidentally was the Federal Reserve figure, we didn't [1115] use in any of our exhibits, it is not comparable in the method of compilation to the FDIC figures for 1966, '68 and '70, so I wouldn't make a comparison based on plaintiff's Exhibit A-53 for that reason, that they were just compiled from a different survey, and I don't think you can make that judgment.

THE COURT: Are you looking at that sheet?

Now what that shows is percentage increase in prices from 1966 to 1970 the percentage increase to the deposit is 42.2 almost go hand and hand and—

THE WITNESS: Is that 42 percent increase in the deposit, constant purchasing power and if you look at 1968 to 1970 the total deposits concentration power declines by 8.3 percent in Spokane County. It declined and this decline is something that I think any bank would look at in the market would take into account.

MR. HOFFMAN: Well, I would again point out that banks deal with real dollars not constant dollars and those are dollars that the bank has no control over.

THE WITNESS: Well, neither do individuals but they still have to pay their bills in the 1972 dollars.

THE COURT: All right.

Q I would like to turn to Exhibit No. 45, Defendants' Exhibit, that is,—

[1116] THE COURT: That's the salary situation you are talking about?

MR. HOFFMAN: All right, you testified this morning you thought that the Washington Trust paid relatively high salaries?

A Yes.

Q Do you have any way of knowing whether or not they just have more employees or more salary or relatively high salaries, is there any way that you can tell from this?

A I cannot tell from that exhibit as to that area however I have discussed that with officers of Washington Trust.

Q But do you have any idea what the relative number of employees they have as compared with other banks?

A I think they may be a little higher, that is possible. Which is one way they serve the Spokane market—not having the advantage that most banks have, of size and that sort of market but they do so by marketing or operating these branches around the city and in this way they can compete for business and serve their customers.

Q Did you say because of this that the Washington Trust paid these salaries so that they could compete more effectively in Spokane and that would limit their ability to be outside of Spokane?

[1117] A Yes, I said this, I said they are strainnig to compete in Spokane with higher salaries, perhaps with more personnel, but whatever the thing is given the deposit base they are investing a good deal already in personnel. It is not something that can be easily expanded unless they have the deposits to do so.

Q Well, if they have more employees relatively than other banks, doesn't that suggest that they might have a pool of available people to go out and work in a larger area and they would have some management available to do this?

A Well, presumably they need all of the personnel—otherwise they wouldn't have them.

Q You say presumably? On what do you base that presumption?

A Well, this is—most banks try to do business, most businesses don't have idlers in personnel.

THE COURT: Not successful ones.

THE WITNESS: Not successful ones, yes.

MR. HOFFMAN: You are basing this on conversations with Washington Trust Bank officials?

A That is correct. Well, these as well as statistics.

Q I think I would like to get into just one more area then I will be finished .

THE COURT: All right.

[1118] Q Back to the wings factor, if you would. Did you indicate that banks generally don't fear new entries?

A No, I wouldn't say that they don't fear any new entry.

Q How would you react, how do they react if they do fear it, how does that affect them?

A The fear of new firms coming into a market cannot make a bank compete harder if it already has enough firms within the market to compete with it just as hard as it can.

The market is competitive. It is not that a bank may fear new entry because that means that someone has to share the pie that's available and most businesses prefer to make higher profits and to be able to grow faster, they help their own growth. I think it would be fair to say that most banks, that is the smaller banks, do not welcome new entrants into a new market. My experience with large branches and banking institutions is that they very seldom protest the new branch or the new charter or a new method of entry because it doesn't affect them as much as a smaller bank which is really very dependent on the local market and just doesn't want to have its own growth taken from it. So in that sense they fear it, sure.

Q You were talking about the large bank vis-a-vis the —well, that is the market leader in respect to the market?

[1119] A Define the market leaders if you will.

Q All right. Well, they would tend to fear it less because they would stand it better?

A I wouldn't agree with that at all.

Q Then why wouldn't a new entrant affect them?

A Largely because they are operating in a wide number of markets. They are less dependent on any given bank market for their own growth and their own success and they often are very expansion minded themselves or they're always putting out branches.

We'll take an example in North Carolina where there were two large banks—and they were bitter rivals or competitors, whichever term you want to use and yet they don't oppose each other very often because they would be continually wound up in hearings and in court. They just have a policy of letting the other branch go in and if they want to branch too and it's just a logical form of behavior for expansion minded organizations.

Q Now talking though about that given market, within that given market why would a relatively large bank in the market fear a new entry less than a small one?

A Because it is not totally dependent on that market first of all and second of all, because it cannot take a posture in one market that will contradict the posture [1120] it wants to take in another market. It can't oppose things in one place and then promote them in another place.

Q So the fact that banks have offices scattered over large areas to compete tends to make or tends to result in their adopting a policy over a large area where they have banking offices in different places and tends to follow regardless of the local situation?

A That's not banking policy at all. I implied nothing about a banking policy. What I am saying is that branch banking organizations can take a more, if you will, procompetitive stature, that they don't have to oppose every charter and every branch in the same way as the smaller organization which is totally dependent on the local market for business and which, as you know, is a hard job to get and keep charge of the deposits, and that's why they can be more able to live and let live, so to speak; but this has nothing to do with bank operating policy and how they vary in one sector of the state from another.

Q Wouldn't you call a bank's policy with regard to opposition of new entry banking policy?

A No, I wouldn't I will not say that.

Q I didn't say operating, I said banking policy, don't you think that there is some competitive significance [1121] to that?

A No, I don't really, no, I don't really, you're asking me about attitudes. You asked me about attitudes and I'm not even sure I'm capable to judge what the attitudes are in the first place and I don't think it has any competitive significance.

THE COURT: I was interested in one remark that you made, Dr. Baxter, and that was that banks like to keep out of court. This case is a prime example of why this is possible. It is an expensive type of a proceeding that you can well imagine, experts from everywhere and all kinds of lawyers and I even wouldn't want to guess the cost to the government and to the tax payers, it's a lot of money.

MR. HOFFMAN: Didn't you testify that that was one way that a bank could compete?

THE WITNESS: Never.

Q You say that branching isn't really an area of competition in banks—how do you reconcile that statement with your statement that banks compete in branching?

A I said that it is the bank's attitude towards the competitor, to what a competitor will be whether he enters the market or not. It is not a banking policy, it is a public posture. Big banks don't like additional firms to share their market any more than the small [1122] banks do, they just cannot take public posture; they are trying to do the same thing somewhere else but quite frankly, after I think when the regulator makes his decision to allow entry he may unfortunately be given knowledge by people on that market and establish circumstances but he makes the decision whether it has a need or not. It is not the banker who makes the decision as to how it affects the ultimate community service.

Q So that the banking policies of these large organizations affect each other in their attitude, or public posture as you put it, in respect to opposing new entries?

A I'm not really sure I understand that question.

THE COURT: What he is trying to get to is simply, he's trying to get to the proposition that some memorandum and some of the exhibit of the government, I shouldn't say government, because both sides are the government, I should say for the plaintiff—what it says and it concerns—we didn't know that the Seattle-First has already made application and that you were considering the application and if they hadn't made one—if we'd known they had made one we wouldn't have made one and so on—what he wants you to say is and what he's trying to get at and he's been quite a while trying to get you to say is that this indicates there is no [1123] competition or little competition because that's a banking policy—a little competition between those two large organizations because one of them wouldn't try to make application for a new location when they know it has done it—that's what he wants you to say.

THE WITNESS: I wouldn't say that, your Honor.

THE COURT: That's what he wants you to say. Isn't that what you're driving at? That's the background for it.

MR. HOFFMAN: Well, I think we are talking about generalizations, that document is a special example and—

THE COURT: Well, I remember that from way back in the early part of the case. That's what he wants you to say but you won't say it.

THE WITNESS: I can comment on that document if you'd like, your Honor.

THE COURT: Well, no.

[1124] THE WITNESS: I can comment on that document if you like, your Honor.

THE COURT: No, I think—

MR. HOFFMAN: I really would like an answer to that question.

THE COURT: All right, we will kick the dog once again. Go ahead, answer.

THE WITNESS: I'm not sure what I am supposed to answer, comment on that document?

THE COURT: Yes, comment on it.

MR. HOFFMAN: No—

THE COURT: Comment on the significance of it, that's the point.

MR. HOFFMAN: It's not the document, your Honor, it's the principle.

THE COURT: All right, comment on the principle.

Q (By Mr. Hoffman) When you say the fact that, for example, the two largest banks in the state have a—well, I won't say understanding, but they engage in a course of conduct which they don't challenge branch applications made by the other, don't you think that that indicates some sort of imperfect competition?

A I think absolutely the opposite, Mr. Hoffman. I know two or—or one of the two largest banks and the people there and many states around the country, and I think [1125] that they are not very friendly towards the other large bank. I think that this one example where it was withdrawn is an isolated case for which I don't know

the explanation, but very often I know that branch applications are withdrawn because the Comptroller wants it withdrawn. He looks at it, one bank gets there first, he says, "I don't want to have to choose between you," and that is a very likely reason why you find examples of withdrawn applications. "Would you please withdraw this so we can grant the branch," and I also know for a fact that the National Bank of Commerce has competing applications now in at least two locations with other big banks in the state, branch applications.

And I think that the posture of one not opposing the other is not a desire to cooperate, it's rather a desire that one cannot take a public posture, a stance against competition through the extension of branch banking systems on Monday and Tuesday, when one is applying for its own branch, it's very difficult to defend it saying that, "I'm a day older and a day wiser."

Q First of all I want to make it perfectly clear I am not talking about that specific incident particularly, I am talking about as a general principle.

THE COURT: Let's don't twist that into something that it isn't. You are taking that as [1126] evidence of the general principle, aren't you?

MR. HOFFMAN: That's right, an example.

THE COURT: Put it where it belongs. Go ahead.

Q (By Mr. Hoffman) In referring to that—

THE COURT: Well, have we concluded with that particular feature of this case or do you want to go into it in further detail? If you do, go ahead, I'll let you go as far as you want on the question of whether or not that is a substantial indication of lack of competition between Seattle-First and the National Bank of Commerce, the Pacific National Bank of Washington, the Puget Sound National Bank, and all the rest of them.

MR. HOFFMAN: As I say, that is really not what I was driving at, it's the conduct, the type of conduct that I'm talking about, not the specific example. That is an example of it.

THE COURT: All right.

MR. HOFFMAN: My question to the witness was would that type of conduct be typical of a high level of competition between two firms.

THE WITNESS: Of course it can be. As I say, this is a regulated industry, the realities of the industry say that you have to deal with the regulators, you have to do what you are asked to do. That is an [1127] isolated case.

I think the isolated case tells us nothing about whether the industry is competitive or not competitive. It to me shows nothing. It doesn't show a pattern, it doesn't show anything typical. So it doesn't tell me it is competitive, it doesn't tell me it is not competitive. I draw my conclusion that it is competitive based on my knowledge of the industry.

Q All right. Would you say that it indicates that the two firms are fully aware of what their mutual self interest is?

A No, I don't think it indicates that at all.

Q You don't?

A No. I would hope that they are aware of what their self-interest is, but it is not obvious to me from that document that they were acting in their self-interest or against it. I learn nothing from that document except that they withdrew an application.

Q Didn't you say that the reason—that one reason they probably did it was because they couldn't protest one day because the other one would protest theirs tomorrow?

A Oh, no, I said that they couldn't take a position in protesting today which would contradict the position they would have to take tomorrow in their own applications, and since the competitive realities are that they are [1128] both going to go out and fight each other where they can, it would be silly for them just to create a legal and an administrative battle that won't do them any good in the first place.

Q And that is not acting in their own mutual self-interest?

A It would not be in anyone's interest to do that, let alone the courts and regulator.

Q I am talking about the banks. Did you say it would not be in the bank's—they would not be acting with an awareness of their mutual self-interest in that situation?

A They wouldn't be acting with an awareness of their own interest. If I were a banker, I wouldn't—and I have a large expansion-minded bank, I wouldn't go out and protest someone else's expansion because I would look foolish when I wanted to go in and expand myself, and that is all I think that I was trying to imply. There is no agreement not to fight each other.

Q All right. Well, would that go so far as to someone withdrawing an application when they found out that someone had filed one first?

A Well—

THE COURT: No, Counsel, we have got about—I don't know, umpteen pages of a record made on this, and we are just going on and on and on and, of course, [1129] you are getting a daily copy and that is costing the taxpayers a lot of money for your daily copy. I don't think you need any more of this in the daily copy, so let's go to the next question. We have really gone into that far enough.

All right, continue.

MR. HOFFMAN: I agree. There are a couple of points I was trying to make that are rather difficult.

THE COURT: You know, you have got to learn one thing, when a witness, whether he is right or wrong, consistently refuses to say what you want him to say, you might as well go to the next subject, and that is what he has been saying.

MR. HOFFMAN: It's the content of the explanation that might have something to do with it.

THE COURT: That is up to me to determine, Mr. Hoffman. But you might as well go to the next subject. You will find that out as you go along.

MR. HOFFMAN: That's all I have, your Honor.

THE COURT: All right. Anything further?

MR. HARTMAN: No further questions, your Honor.

THE COURT: Mr. Moen?

MR. MOEN: I don't have any questions, your Honor, but I would like to offer again at this time into evidence Defendants' Exhibits for identification [1130] Nos. 12 to 52, inclusive. My notes don't show you ruled on that offer.

THE COURT: No, I guess I haven't, and now you make the offer. The reason I haven't is that Mr. Hoffman said he was going to start objecting to them in his cross-examination.

MR. HOFFMAN: On the basis of my cross-examination, I would like to object to all of the exhibits which compare the City of Spokane, Spokane County, with other cities and counties in the state, and all the exhibits that compare the State of Washington with other states in the country. I have the numbers here, I have to check the index.

THE COURT: I am going to overrule you and I will tell you why, those statistical exhibits, they may have weight of varying degrees, but I look at this one and I look at the other one and they are in varying degrees, he didn't say it this way, the basis of the opinions that I formed, and so it just goes to the weight of his basis.

MR. HOFFMAN: My objection is as to materiality.

THE COURT: I think it is material as the basis of his opinion, and I will overrule it.

(Defendants' Exhibits Nos 12 to 52, inclusive, for identification, were received in evidence.)

[1131] THE COURT: Dr. Baxter, you may step down.

(Witness excused.)

MR. MOEN: Your Honor, this concludes our case except for the offering of the two exhibits which haven't yet been offered, which I would like to have Mr. Johnston do.

MR. JOHNSTON: We have just one small addition for the record, and it's the answers to—or plaintiff's answers to intervenors interrogatories, Set No. 1, Answers Nos. 14, 15, 16, and the answer to the first part of 17. We have referred to these answers in our brief and that is why we would like to have them in the record.

MR. TORRE: No objection, your Honor.

THE COURT: All right. I don't know what they are, but for whatever they are worth, why, I guess they will be admitted.

All right, then the defendants and the intervenors both rest, is that the idea?

MR. MOEN: The defendants rest, your Honor.

MR. HARTMAN: The intervenor rests, your Honor.

THE COURT: Now Mr. Torre.

MR. TORRE: We have one witness in rebuttal, Mr. Verveer will call him.

[1132] MR. VERVEER: Plaintiff calls as rebuttal witness Mr. Robert K. Hurni.

Mr. Hurni's testimony, your Honor, will be limited to the experience and the possibilities of the Pacific National Bank in Spokane.

THE COURT: All right.

ROBERT K. HURNI,

called as a witness in behalf of the plaintiff in rebuttal, being first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. VERVEER:

Q Please state your name and address for the record.

A Robert K. Hurni, Route 1, Box 1833-A, Spanaway, Washington.

THE COURT: He's one of my neighbors.

Q (By Mr. Verveer) By whom are you employed?

A By the Pacific National Bank of Washington.

THE COURT: Incidentally, before you go further, I am sorry for the inconvenience, Mr. Hurni, but this case, as I knew, was going to conclude, and if we had to wait until tomorrow, it would have been terrible because I might have changed my mind three or four times as to what I was going to do about it.

Go ahead.

Q (By Mr. Verveer) Are you here pursuant to a subpoena?

[1133] A Yes, sir, I am.

Q Did I search you out rather than vice versa?

A That's right.

Q Are you personally or is the Pacific National Bank trying to prevent the merger of the National Bank of Commerce and Washington Trust Bank?

A No, we are not. We made no objection to the merger.

Q In what capacity are you employed, Mr. Hurni?

A I am senior vice-president and regional manager. I am manager of the region which includes our branches in the southwest, central and eastern Washington.

Q Does that region include Spokane?

A Yes, it does.

Q What has been the experience of Pacific National Bank and its predecessor in Spokane?

A Well, it has been disappointing to us in that we have not been able to increase the share of the market that our predecessor bank had.

Q And to what do you attribute Pacific's disappointment in Spokane?

A Well, I would say probably that it is our inability because of the state's de novo branching laws, it has been impossible for us to add additional branches in the Spokane area.

Q Could the Pacific National Bank of Washington put [1134] more, and more specialized, personnel into the Spokane area? Is it capable of doing that?

A Well, yes, we could have done that.

Q Why has Pacific chosen not to do that?

A Well, because of the cost involved and our share of the deposit and loan business and the particular mix of deposits and loans didn't warrant putting more experienced or additional personnel in our two Spokane branches.

[1135] Q Was the deposit base in your Spokane office inadequate to support, to justify the cost of additional personnel?

A Well, I would say it would all depend on how much additional personnel we are talking about. We feel that we have adequate personnel for our two branches until

they are in a position to support additional personnel, from a cost basis.

Q Where is the closest Pacific Branch office to Spokane located?

A Well, that would be in Yakima.

Q With reference to deposit base supporting additional personnel and services, what in your judgment, in the judgment of your bank, is the proper geographic area over which to measure the base?

A Well, I think it would all depend on the particular market, it would depend on the trading area of a particular location. I don't think you can say it would be so many counties or so many square miles, you would have to look at the trading area.

Q What would it be with respect to Spokane?

A I don't think,—I think I have lost the trend of your question.

THE COURT: He wants to get your opinion as to what the banking market is in Spokane, that is what he wants to know.

[1136] Q (By Mr. Verveer) The trading area, the area over which you would gauge other deposit base?

A Well, with our present branches we would have to conclude it is very little more than the City of Spokane.

Q If you had additional branches within a 100-mile radius, would you be able to justify spending additional funds in terms of personnel and additional services in the Spokane market?

A Well, it would depend upon the location of those branches. If they were in the Spokane trading area rather than in Yakima, then I would judge that if we had the properly located branches and the proper deposit base, loan base, that it would be possible to increase our personnel in Spokane, perhaps with a regional headquarters.

MR. VERVEER: We have no further questions, your Honor.

THE COURT: Do you have any questions?

MR. MOEN: No questions.

THE COURT: Mr. Hartman?

MR. HARTMAN: No questions, your Honor.

THE COURT: All right now I notice you have been conferring at counsel table there, do you have any further questions of this witness?

MR. HOFFMAN: We have no further questions, your [1137] Honor.

THE COURT: Well, I am going to ask Mr. Hurni a few questions just for my own information. Maybe it is opening up a new matter.

Mr. Hurni, I probably already know the answer to this, but let us put it in the record anyhow. How many places in the State of Washington do you meet, for example, does the Pacific National Bank of Washington meet the Seattle-First?

THE WITNESS: Well, in almost every area that we bank in.

THE COURT: Do you consider yourselves, Pacific National Bank of Washington, competitors of Seattle-First?

THE WITNESS: We certainly do.

THE COURT: In how many areas do you meet the National Bank of Commerce?

THE WITNESS: In almost the same areas, your Honor.

THE COURT: Do you consider yourselves competitors of the National Bank of Commerce?

THE WITNESS: Very much so, your Honor.

THE COURT: All right, that is all I have and you may step down.

MR. HOFFMAN: At this time, your Honor, the [1138] plaintiff would like to introduce certain of defendants' answers to plaintiff's interrogatories in our rebuttal case. I will just identify them, since the interrogatory answers are already in the record.

THE COURT: You know, you didn't see this counsel or you may have made something of it, but when Mr. Hurni left he said hello and smiled at Mr. Faragher back there.

MR. HOFFMAN: Well, we would have no objection to that, your Honor.

THE COURT: It is a friendly rivalry, I imagine.

MR. HOFFMAN: We would like to offer defendants'

answer to Plaintiff's Interrogatory 6-A, the exhibit which is that answer, pages one, two and three, which show the services that are offered by Washington Trust Bank and National Bank of Commerce, we think this relates to the line of commerce issue, if you will, there has been reference set to competition by mutual saving banks.

THE COURT: Yes, I understand. I know there is a line of commerce issue.

MR. HOFFMAN: We would like to introduce defendants' answer to plaintiff's Interrogatory—

THE COURT: Well, I don't really know whether [1139] it is an issue—

MR. HOFFMAN: Well, we didn't think it was,—

THE COURT: But I am going to let you argue that, and see whether or not there is a disagreement. I haven't been able to find it so far, but go ahead.

MR. HOFFMAN: The parties have agreed that commercial banking is a line of commerce within which the competitive effects of the acquisition should be measured. However, the defendants definitely, and perhaps the intervenor, we are not definitely sure of this, also wish to look at competition from other financial institutions.

THE COURT: Well, I understand that. That came up in the Idaho banks, the same stipulation, and the Court found that the line of commerce also included competition from the other agencies in that case. I understand their position. All right, go ahead.

MR. HOFFMAN: We would like to introduce defendants' answer to Interrogatory 9-B, the answer for Washington Trust Bank, pages one through eight. That shows new services introduced by Washington Trust Bank.

THE COURT: All right.

MR. HOFFMAN: We would also like to introduce the answers to Interrogatory 10, 11 and 12, all the [1140] answers, which also relate to banking services offered by the bank.

THE COURT: All right.

MR. HOFFMAN: We would like to introduce their answer to plaintiff's Interrogatory 15, all of the exhibits

to that answer, and that shows the size distribution of the customers of Washington Trust Bank and N B C too, I believe.

THE COURT: What do you mean, the size distribution?

MR. HOFFMAN: Well, the number of customers, and the dollar amounts, the various size categories.

THE COURT: Oh, I understand. All right.

MR. HOFFMAN: We introduce that to make the point that the vast majority of the banking customers in the Spokane area are small, and are relatively unaffected by the highly specialized services.

THE COURT: Yes, I understand. That everybody doesn't ship machinery to Africa, is that the idea?

MR. HOFFMAN: That is the idea precisely.

THE COURT: I would agree with that. I will bet you that 99 people out of 100 in Spokane don't even know that Mr. Hanson and his company ship machinery out of the country.

MR. HOFFMAN: Probably fewer than one percent. [1141] We would like to introduce defendants' answer to Interrogatory 16, pages one through 22 of the exhibit. That is the same size distribution for Washington Trust Bank customers. The previous one was for N B C.

And 18 and 19 also, all the exhibits which relate to the same thing. These are different categories of the banking business, loans, deposits, that sort of thing.

THE COURT: All right.

MR. HOFFMAN: We would like to introduce defendants' answer to Interrogatory 30, which shows participation that Washington Trust Bank has engaged in, and we introduce that to rebut the convenience and needs case.

THE COURT: You mean where they go together with another bank or have a correspondent to take an overline, something of that sort?

MR. HOFFMAN: That is right.

THE COURT: All right.

MR. HOFFMAN: We want to introduce defendants' answer to Interrogatory 33, the exhibit marked WTB, and that shows the applicants for loans from WTB in

excess of WTB's lending limit, and the point we want to make is that again that is a very small number, and insignificant compared to the total number of banking [1142] customers.

THE COURT: All right, I understand. That is the one who testified as to bumping the limit all the time. Yes, I understand.

MR. HOFFMAN: We would like to introduce the defendants' answers to Interrogatory 34. The portion of that answer "for WTB" which is contained in the answer. That shows that there have only been two refusals of WTB's request for participation loans.

THE COURT: What you are telling me is that when Washington Trust Bank goes out and gets somebody to go along with them on a large loan, that they have only been refused by two other banks?

MR. HOFFMAN: That is right, your Honor.

THE COURT: I understand. That is a pretty solid bank in Spokane, and you wouldn't expect everyone to refuse them, would you?

MR. HOFFMAN: No, we don't think anybody should.

THE COURT: All right, go ahead.

MR. HOFFMAN: We would like to introduce defendants' answer to Interrogatory No. 35, which shows the actions that WTB has taken—I am sorry, your Honor, that one is already in.

We would like to introduce their answer to [1143] Interrogatory 36, which lists the customers who would borrow in excess of Washington Trust Bank's lending limits, and again the point we want to make is that there are very few, a relatively insignificant number compared to the total number of banking customers in the area.

That is all I have, your Honor.

MR. TORRE: The government's case is closed.

THE COURT: All right, Mr. Moen?

MR. MOEN: At this time the defendants will renew their motion to dismiss the case for the reason that the plaintiffs have wholly failed to prove any cause of action against the defendants.

THE COURT: All right.

MR. HARTMAN: The intervenor joins in that motion.

THE COURT: Well, I told you that I had intended to give you an opportunity to argue the case, and of course arguing the case in this instance means arguing this motion that you just made, that is about the size of it.

MR. MOEN: That is right. That is about what it amounts to.

THE COURT: I will give you an opportunity to argue the case, and I am prepared on the law, as much [1144] as I ever will be. I think I know what the law is in the case, I have already told you I read that Idaho case a couple of different times, and I have read some others, as far as the law is concerned, I have read Justice Brennan's opinion, and I read the late Justice Harlan's dissent in the Phillipsburg case. Sometimes I even read the dissents in these cases to familiarize myself more fully with the case.

Well, I am really ready on the law, and I told you I would let you argue it tomorrow morning. Let me say this, as far as the preponderance of evidence is concerned, this principle applies in this case, as it does in every case, the Justice Department, the Antitrust Division, representing the United States, and the intervenor also representing the Comptroller, and the Justice Department has the burden of proof so that the preponderance of the evidence in the case has to establish the contention that this merger is going to be anti-competitive, because one of the many reasons they have advanced, they have the burden in that instance, and of course if there is any anti-competitive effect, then the burden is upon the defendant, as I understand the law, to establish the need in the area that outweighs the anti-competitive effect, if any, that has been established by the evidence.

[1145] Frankly, in this case I see very little difference in the issues here as to that in the Idaho case and about the one thing that I find is the only distinction between the two is the fact that in that case Twin Falls with only 25,000 people, and Spokane, the banking market

in Spokane is considerably larger, I suppose you could call it urban, you don't call it urban over there, they call it farming and agriculture. Let's see, it wasn't diversified, in any event, between Twin Falls and Spokane, there is very little difference in the two cases, and the size of the markets, not much difference, from the testimony I have heard here. It has already been stipulated, actually, that the banking market in that area is limited—no, not stipulated, no, it's not stipulated—

MR. HARTMAN: I believe it was, your Honor.

THE COURT: I think it was stipulated as to the size of the banking market, but areawise there isn't much difference than Twin Falls. And the size of the bank that was being acquired in comparison to the size of the one that—Washington Trust—I think the size of the one acquired in Twin Falls, I think it was third, wasn't it?

MR. TORRE: The Twin Falls bank was a 25 million dollar bank, I would say.

[1146] THE COURT: It was third in size, though?

MR. TORRE: Second, your Honor, the Fidelity National Bank was second in size.

THE COURT: Well, I think now it was third, wasn't it?

MR. HARTMAN: That's what I think it was, your Honor.

THE COURT: All right, get the books, Mr. Brown. I just wanted to test my memory, an old mind doesn't remember as well as a young mind.

MR. JOHNSTON: Would your Honor like to have a copy of the opinion?

THE COURT: We've got the book right on the desk.

MR. JOHNSTON: I've got it right here.

THE COURT: Well, he'll get it, he'll get it and I know right where to look for it.

MR. TORRE: The Twin Falls Bank & Trust Company was the largest bank, and the second largest bank was the Fidelity National Bank and the third largest bank was a branch of the First Security Bank and the fourth largest bank was the new bank, a branch of the Bank of Idaho.

THE COURT: Well now he's bringing in the book. Let's see what Judge Boldt said on page 261—[1147] All right, Counsel—this just pleases me greatly "Fidelity is the oldest commercial bank in Twin Falls County and it is one of the four commercial banks in Twin Falls City and two of the banks are branches of the two largest bank organizations doing business in Idaho, although seventh largest of the twenty-six banks in Idaho, Fidelity ranks third in the size of the four banks in Twin Falls."

MR. TORRE: That is in error, your Honor.

THE COURT: Well, I don't know what else to go on, but that's what he said. Well, that's what I was saying, that it was close to this situation, but going further, going right down every issue that was presented to Judge Boldt in the Idaho case, was the same, and there he hard the State Finance Director, he was your witness, that was one of your witnesses, and he remarked that he wasn't impressed by the State Finance Director. I heard Mr. MacMurray, and he takes the same—

MR. TORRE: He did make a statement that he said he did denigrate testimony of Mr. Silva and I believe the fact was that the Judge made findings on his opinion.

THE COURT: Well, I don't know, I just read what he said; he was your witness, wasn't he?

[1148] MR. TORRE: He was the State Banking Supervisor, your Honor.

THE COURT: Well, I mean the witnesses are about the same if you go across the board, Dr. Baxter was there, Dr. Baxter was here. Who was your economist there?

MR. TORRE: A gentleman from the Rand Corporation, George Hall.

THE COURT: Two economists?

MR. TORRE: Yes, we had two, and Larry Johnson from the University of Tennessee and Mr. Marston was there.

THE COURT: Let's see, Mr. Marston was there and you didn't have Dr. Smith there but I would bet, if I were a wagering man, that the testimony of the economists paralleled in this case what they testified to there

as far as their opinions as to the effect because of the wings, because you were raising that issue, the wings issue and the concentration issue was there, and I imagine they testified as to that, their opinion that a de novo or toehold entry would be more competitive and the Court found in that instance that it wouldn't warrant a fifth bank going in there in the foreseeable future, the Comptroller wouldn't permit it.

[1149] In this case we had testimony here that the banking market in Spokane was so ably served by the number of banks that are already there that they don't need another one. It's just an identical situation, the same kind of testimony. Now I'm not saying that the facts are all similar but I am telling you that when I said "barnstorming" I meant it, but I am going to let you argue, like I said when I denied Mr. Moen's motion at the conclusion of your case, that it was thin, and I will tell you why I felt that way. I have three witnesses whose testimony I have considered.

[1150] I had three witnesses whose testimony I had to consider, Dr. Smith, and I can't credit his statement about rivalry as contrasting competition. I just don't go along with that as far as these banks are concerned. That's why I asked Mr. Hurni here, your witness, was he considered a competitor of his banks, definitely he thinks they are competing, and I'm satisfied they are. I don't go along with that rivalry. I say that, I just don't credit his testimony in that area. I think they are competitive with each other over there. I'm talking about Seattle-First and the—the two banks, and I am satisfied, of course, that Mr. Stanton is really doing his utmost to try to be competitive too. Pacific National Bank of Washington would like to be competitive, there isn't any doubt in my mind, they would really like to be in there a lot larger and bigger than they are.

So when I said it was thin, I don't credit his testimony as to the rivalry. Now, he testified about the wings effect, and I don't know too much about the wings effect, but I have read some cases that talk about the wings effect, and that has to be all theory because there is just no actual testimony in the record, this record, and I

doubt in any other record where you'll actually have a banker coming in and testifying [1151] and saying, "As long as I am worrying about them coming in here, boy, we are going to be more competitive." When does that ever happen? I will bet you there hasn't been any case that you have tried where the bankers have come in and would testify to that. Do you know of any?

MR. HARTMAN: I know of none, your Honor.

THE COURT: So it has to be all theory. And then there is the economist, an expert testifying to that in his opinion, that is, the effect that the N B of C has in that bank market by being a potential competitor. Then we get down to the facts, so far as the government's case is concerned, and what facts upon which to determine aside from your theory of the wings effect and the concentration and the rivalry, which Dr. Haywood tells me is a term that is used when they start talking about perfect competition. Isn't that what he said to me about rivalry? He said that's something that they use in the textbooks when they talk about perfect competition, is rivalry. Where are the facts? I am telling you this because I want you to come up with some facts tomorrow, show me where there are some facts that establish that this is anti-competitive aside from theory. That's all, I want the facts, and I want you to show me some facts. If you [1152] don't show me facts to my satisfaction, you know what is going to happen.

All right, the court is adjourned for today until 9:00 o'clock tomorrow morning.

(Evening Adjournment)

[1153] REPORTER'S CERTIFICATE

WE, W. L. Mayrand, Gerald J. Popelka and Paul C. Tveten, Official Court Reporters for the United States District Court, for the Western District of Washington, do hereby certify that the annexed and foregoing is a full, true and correct transcript of proceedings had in the above-entitled and -numbered cause, on the date hereinbefore set forth, and we do further certify that the same has been prepared by us, or under our direction.

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[1154] UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF COLUMBIA
AT TACOMA

No. 237-71C2

UNITED STATES OF AMERICA, PLAINTIFF

vs.

MARINE BANCORPORATION; THE NATIONAL BANK OF COMMERCE OF SEATTLE, ET AL DEFENDANTS.

[Filed in the United States District Court,
Western District of Washington, June 22, 1973,
Edgar Scofield, Clerk, By M., Deputy]

TRANSCRIPT OF PROCEEDINGS held in the above-entitled and -number cause in the above-entitled court before the Honorable WILLIAM N. GOODWIN, United States District Judge, on Wednesday, January 17, 1973, at the United States Courthouse, Tacoma, Washington.

VOLUME VIII

[1719] APPEARANCES

RICHARD J. TORRE,
ALLAN S. HOFFMAN,
PHILIP L. VERVEER, and
RONALD SILVERMAN, Attorneys, Antitrust Division, Department of Justice, appearing for and on behalf of Plaintiff;

JAMES WILLIAM JOHNSTON and
R. A. MOEN (of Graham, McCord, Dunn, Moen, Johnston & Rosenquist), and
DANIEL M. GRIBBON, and
CHARLES LISTER, (of Covington & Burling), appearing for and on behalf of Defendants;

JON HARTMAN and
THOMAS McLACHLEN, appearing for and on behalf of Intervenor.

[1156] MORNING SESSION

(The court reconvened at 9:05 o'clock a.m. All parties present as before.)

MR. TORRE: Good morning, your Honor.

May it please the Court—

THE COURT: Let me ask you a question before you start your argument, is this United States of America versus the United Virginia Bankshares Corporation and Peoples National Bank of Manassas, or whatever it is, is that the case that you were interrogating Mr. Baxter on yesterday that he testified in about his opinions that he expressed there?

MR. HOFFMAN: Yes, it is, your Honor.

THE COURT: The one where I said the Judge was tough on him?

MR. HOFFMAN: And I agreed.

THE COURT: Well, apparently as tough as the Judge was on him, he must have taken his testimony as having some value from the result. I just read the opinion.

MR. HOFFMAN: We had a little difficulty persuading the Judge we were right.

THE COURT: I understand. All right.

Mr. Torre,—in fact, he cites five instances where you tried cases in alleged potential competition [1157] and none of which apparently favored your position, is that right?

MR. HOFFMAN: That's correct, your Honor, all District Court opinions, your Honor.

THE COURT: District Courts?

MR. HARTMAN: There is nothing wrong with the District Courts.

THE COURT: All right, go ahead.

MR. TORRE: May it please the Court, your Honor has asked me to direct my attention to facts. Only four fundamental facts are necessary to support the plaintiff's allegation that potential competition in commercial bank in the Spokane metropolitan area will be substantially lessened. The government has proved these facts with statistical exhibits on market concentration and with the expert testimonial analysis of its expert witness, Dr. Smith.

The four facts are:

(1) That Spokane is a concentrated banking market;

(2) That Spokane is an attractive banking market;

(3) That the Washington Trust Bank is a leading firm in that market; and

(4) That the National Bank of Commerce is by [1158] far the more signficant of only two significant potential entrants into that market.

Documentary exhibits drawn from defendants' files showing the conduct of the banks in the state were introduced simply to illustrate the kind of behavior which is characteristic of firms in concentrated markets and to show that the theories and predictions of the economists about the behavior of firms in oligopolistic markets is not simply theoretical or academic.

A violation of Section 7 is never proved by evidence of past conduct. Section 7 analysis is structural analysis, and the first step in that analysis is a determination of a line of commerce in a relevant section of the country.

The plaintiffs admit there is little doubt about the line of commerce in an acquisition involving two commercial banks is commercial banking. I refer the Court to the Philadelphia National Bank and Phillipsburg National Bank cases.

The plaintiff has alleged four sections of the country from which proposed mergers may have substantial anti-competitive effect, the Spokane metropolitan area, Spokane County, Eastern Washington and the State of Washington. The Spokane metropolitan area has been stipulated by the parties.

[1159] Under Section 7, according to the Supreme Court, in United States vs. Pabst Brewing, a section of the country is entirely subsidiary to determination of anti-competitive effects and is a function of those effects.

The second step in that analysis is a determination of what the anti-competitive effects are in those sections of the country. Section 7 was designed to stem incipient concentration and preserve future potential deconcentration. Implicit in Section 7 analysis is that a prospective judgment from existing structural facts must be made. In other words, existing structure must be compared with future structure. The existing level of potential competi-

tion must be compared with the post-merger level of potential competition. If the merger may substantially lessen potential competition, that is significant, and if it lessens the reasonable probability of future deconcentration, the merger must be enjoined.

Spokane is a concentrated market, and the Supreme Court has consistently treated market share figures or concentration ratios as fundamental to the determination of anti-competitive effects. This is especially true in banking.

Again we direct the Court's attention to the [1160] Philadelphia National Bank of Phillipsburg National Bank.

THE COURT: In Phillipsburg they sent the case back, didn't they?

MR. TORRE: They sent it back for determination of convenience and needs, your Honor.

MR. HARTMAN: And also relevant market.

THE COURT: Relevant market, that's right, that's the way I read the opinion.

MR. TORRE: Determination of convenience and needs within the relevant market as found by the Supreme Court as they thought the relevant market should be defined, which was in the Phillipsburg-Easton area.

THE COURT: All right. I just wanted to be sure I understood that.

MR. HARTMAN: The Supreme Court—excuse me, your Honor.

THE COURT: I didn't want to interrupt his argument. We had an argument between the two of you. I can read that opinion again if I have to. Go ahead.

MR. TORRE: Concentrated markets are presumptively poorly competitive. Competition is a term of art and it is a term that is subject to confusion. As used in antitrust law, and industrial organization, it is a technical and theoretical term. Competition [1161] is not what laymen say it is. Markets are not competitive because businessmen and bankers say they are. The Supreme Court recognized this in the Philadelphia case when it stated that, it believed that the District Court reliance on lay evidence was misplaced, "lay evidence on so complex

and economic and legal problem, the substantiality of the effect of merger upon competition, was entitled to little weight in view of their failure to give the foundations for that conclusion."

The Supreme Court has always considered potential competition to be an important factor to concentrated markets. Potential competitors are important because of their capacity to lessen concentration in concentrated markets and thereby increase the level of competition.

The sources of significant potential competition in Spokane are limited. There is no dispute that the National Bank of Commerce is the most significant source of deconcentration outside the Spokane market. Of the firms outside the market capable of entering that market, the National Bank of Commerce by far possesses the greatest capacity to deconcentrate that market, that is, it is reasonably probable that if N B C entered, Spokane would be deconcentrated to an extent comparable [1162] to that capacity.

Deconcentration and the probability of deconcentration are the aims of Section 7 and because, as Mr. Justice Harlan stated in his dissent in Phillipsburg, that "new entry can, of course, quickly alleviate undue concentration and the possibility of entry can act as a substantial check on the market power of existing competitors."

Implicit in that statement, your Honor, is the fact that potential competition is applicable to banking.

Also, the Supreme Court in Philadelphia stated that "If concentration is already great, the importance of presenting even slight increase in deconcentration and to preserve the possibility of eventual deconcentration is correspondingly great."

I am sure that the defendant and the intervenor will point out that the Philadelphia National Bank case involved a merger of existing competitors. However, the statement there is equally applicable to the merger of potential competitors because it is talking about preserving the possibility of eventual deconcentration, and by preserving the National Bank of Commerce as a significant potential entrant, we are preserving that because where such potential entrants are limited, they [1163] must be preserved.

THE COURT: What I had in mind, Mr. Torre, as far as facts are concerned, I had in mind what you were going to say with respect to what your witnesses testified to, going first of all to Dr. Smith, and then Mr. McMurray and then to Mr. Marston. What did they say, that is what I want to know. What you say is indicative of the fact that you have established by a preponderance of the evidence,—that is what I had in mind.

MR. TORRE: As I have stated, your Honor, I believe what I have stated this morning in argument form has been substantiated by the testimony of Dr. Smith on economic theory and substantiated by our statistical exhibits as to market concentration in the Spokane metropolitan area and the other sections of the country alleged.

I think it would be of little significance for me to restate the testimony of Dr. Smith along those lines, I think it was clear, I think it was lucid, and I think it was unimpeached.

THE COURT: Well, tell me what he said. What did he say?

MR. TORRE: He said, your Honor, that Spokane was a concentrated market, that the significant potential entrants into that market were limited, and [1164] that there were two, and that of those two, the National Bank of Commerce possessed the greater capability to enter, the capability to deconcentrate, and the incentive to enter. And because it had incentive to enter, and because it had the capability to deconcentrate, banks in Spokane fear its entry.

The fear of entry acts as a check on the firms in the Spokane market, and it is a "substantial check," to use the words of Mr. Justice Harlan. Potential competition in banking is important, maybe even more so than in any other industry because entry is limited to the firms economically feasible for any market, and banking markets tend to be concentrated. The existence of the wings effect, your Honor, was also testified to by Dr. Smith as an important influence on firms, in concentrated markets and that theory is an economic fact that has been recognized by the Supreme Court, and never has the Supreme Court recognized that fact based on lay testimony of bankers or

businessmen in the market, it is based on expert testimony, that is the fact.

The existence of the effects is not dependent upon the fact that businessmen acknowledge their existence. If entry is possible, entry is feared, and bankers will act accordingly so as not to encourage entry. Again, it is another area where lay testimony [1165] on complex issues is not probative.

Now, Dr. Smith presented expert testimony, and he explained to us what competition was, and what happened to competition in concentrated markets, that is, that competition turns to rivalry, because of the insecurity of firms in those markets.

THE COURT: Well, the question I have in mind on this rivalry business is that you say N B of C could go in another way, and if they go in by this merger or this takeover, whatever you want to call it, then they become rivals.

MR. TORRE: Your Honor, if they go in by this merger, they go in with an established part of the market by acquiring a leading firm.

THE COURT: And then they become rivals.

MR. TORRE: They go in with the same interest in that market as other leading firms in that market, and continue to become interdependent with those firms, and act accordingly.

THE COURT: Well, but then I am just going right back to the fact that they become rivals, true? That is what you said.

MR. TORRE: That is right.

THE COURT: All right, then my next question: If they go in that way and become rivals, why, if they [1166] go in your way don't they become rivals, too?

MR. TORRE: They become rivals with a different set of interests and with different goals, because they come in with a smaller share of that market, and with that share they are faced with the task of building that share up. Therefore, their interest is implicitly different than the interests of the Seattle-First National Bank in that market, with 40 per cent of the market, and the Old National Bank.

THE COURT: Well, then you say that they would not, if they went on the toehold, they come in with a smaller acquisition, or came in de novo, and they wanted to build up their status, that they would act differently than they would if they came in on the Washington Trust Basis, they wouldn't be interested in building it up, is that the idea?

MR. TORRE: They would be interested in building it up, but they would not be interdependent with the other firms that have a leading position in that market.

THE COURT: Well, let me ask you what you mean by interdependent. Let me ask the questions and let him answer, Mr. Verveer.

Now what do you mean by interdependent, [1167] what dependence would they have on Seattle-First, for example, dependent upon them for what?

MR. TORRE: They are interdependent because their interests are the same and they realize as a leading firm in that market any actions they take, for example, to lessen price, will correspondingly be taken by the other firms in that market, and will not appreciably increase their share of the market.

THE COURT: Well, how about if they come in de novo and they decrease the price?

MR. TORRE: That may stimulate them to do the same, however, they may gain business from that firm, those firms.

I think if you would bear with me, your Honor—

THE COURT: I am bearing with you but I am just asking you questions because I like to have answers.

MR. TORRE: Well, I think no one can answer it better than Professor Frederick Scherer, who is the Dean of industrial organization economics in this country, who has just written an Encyclopaedic work on industrial organization, and I won't presume to explain that any better than he has explained it, in very straightforward terms.

He said, "The technical definition of [1168] competition differs markedly from the usage adopted by businessmen who, following Adam Smith's lead, are apt to perceive competition as a conscious striving against other

businessmen for patronage, perhaps on a price basis but possibly also (or alternatively) on non-price grounds. Failure to recognize these implied semantic distinctions has often led to confusion in policy discussions. To keep such confusion at a minimum, we adopt the term 'rivalry' to characterize much of the activity businessmen commonly call 'competition.' The essence of rivalry is a striving for potentially incompatible positions; combined with a clear awareness by the parties involved that the positions they seek to attain may be incompatible. Under this dichotomy, it is possible for there to be vigorous rivalry which cannot be called pure competion; the jockeying for position in the automobile market among General Motors, Ford, and Chrysler is an obvious example."

Now what he is saying is that firms recognize interdependence, leading firms do, and they act accordingly.

"If the sellers are sufficiently few in number so that each believes his economic fortunes are perceptibly influenced by the market actions of other [1169] individual firms, and that those firms are in turn affected significantly by his own actions, then the market can be said to be oligopolistic.

"Pure monopolists, oligopolists, and monopolistic competitors share a common characteristic: each recognizes that its output decisions have a perceptible influence on price or, in other words, each can increase the quantity of output it sells under given demand conditions only by reducing its price."

So as a leading firm in that market it has the same identical interest as other leading firms if it were to come in by this merger. If it were to come via a foothold acquisition its interest in that market would be different, rivalry would be increased, there would still be rivalry because we still have a concentrated market, and, therefore, compared with the merger situation, the de novo situation is pro-competitive.

We have presented documents as exhibits which illustrate that firms react to threatened entry.

Again, we offer them only as examples of reaction rather than as proof of effect, it merely illustrates the reaction of firms to threatened entry.

With regard to other sections of the country [1170] alleged, we have alleged that the merger will eliminate a significant middle-sized bank in the State of Washington. Such banks are few in number, and Washington Trust is the second largest bank headquartered in Eastern Washington. It is a capable, well managed bank, and possesses the capability to expand beyond its existing trade area. We refer the Court to Government Exhibit M, which is the analysis of a consultant hired by the Washington Trust Bank to advise it as to its future goals, and that consultant has agreed with the government's contention as regards the future of Washington Trust Bank.

THE COURT: Well, but where are they going to expand?

MR. TORRE: Your Honor, it has been stipulated that Washington Trust Bank had merger discussions with the Bank of Yakima, that is a possibility. I am not going to say that they are going to merge with firm A, firm B or firm C, but I am merely pointing out possibilities. It has right of first refusal on the stock of two banks in Eastern Washington. It has men on the Board of Directors of two banks in Eastern Washington.

Again, it has links with these markets, it [1171] is capable of assisting in the formation of small banks in these markets, it did so in Pullman. Now these are areas. These are other small banks in that area capable of being acquired by the Washington Trust Bank.

It has been asserted that they don't have marketable stock, but I am certain if that stock were offered to the public or offered to a banker, he would be very happy to accept it, because it is a very good bank and a very strong bank and a very profitable bank.

The elimination of Washington Trust, therefore, will rigidify the structure of the state banking market. We have seen in government exhibits that the two largest firms meet each other in practically every county in the state, and the ones where they don't meet each other are relatively insignificant except for Tacoma, which brings me to a second point, that if this merger is approved it will signal the significant potential entrants outside other major markets in the state that they are free to go into those markets in an anti-competitive ways by acquiring

leading firms in those markets rather than entering de novo or by foothold acquisition.

The National Bank of Commerce says they [1172] would not be effective if they entered Spokane de novo, or by foothold, but in the State of Washington the Chase-Manhattan National Bank, one of the largest banks in the country, is expanding throughout that state, and it is expanding by acquiring very small banks.

THE COURT: In the State of Washington?

MR. TORRE: In the State of New York, I am sorry. The acquisition would be irreversible. Once the acquisition occurs, Washington Trust Bank disappears.

With regard to the State of Washington again, we have seen that where banks are in concentrated markets such as Seattle, parallel policies can be developed. The term "friendly competition" has come about.

Now that is perhaps an unfortunate term, and such terms and such ghosts arise in trials, that is probably the ghost of this trial, friendly competition, because again there is semantic confusion. Friendly competition is not competition but is interdependent rivalry. We want independent firms, independent decision makers, and that is what a foothold entry brings about. This acquisition will extend that interdependency from Seattle into Spokane, the [1173] second largest city in the state, and this is not good for competition in the state or in any of its regions.

Seattle-First National Bank, the National Bank of Commerce, and the Old National Bank are the dominant banks in the eastern part of the State of Washington. The Washington Trust Bank is the second largest bank headquartered in that region, and again, it is one of the few banks capable of expanding outward from Spokane into other regions of the state. I won't speculate as to where or how, but again, the purpose of Section 7 is prospective —long-term, that was the purpose of it, and by preserving the Washington Trust Bank we preserve the long term possibility of deconcentration in other markets, by preserving the National Bank of Commerce as a potential entrant into the Spokane metropolitan area we are preserving that bank as a guardian of competition within that market by keeping it outside that market as a potential entrant, and as a future competitor in that market.

THE COURT: Well, that brings me to another question. Why, then, if you want to preserve independent banks around the state, why then this legislation that permits branch banking, the State of Washington has it and apparently it is a trend, the federal government [1174] authorizes branch banking, and if you kept N B of C and Seattle-First just in Seattle, then you would never have a problem.

MR. TORRE: Well, we don't want to keep them just in Seattle, we want them to go into other markets, but we would like them to go via de novo—

THE COURT: Well, you want them where you want them to go, is that the idea?

MR. TORRE: No, they can go wherever they want to go, but we would like them to go not by acquiring significant competitors in those markets where they want to enter. If they want to enter, let them earn their way, and by earning their way they will increase competition in those markets. We want them to enter by footholds, or de novo entry.

THE COURT: What is your answer to the situation facing the Pacific National Bank of Washington at Spokane? Why aren't they significant in the market?

MR. TORRE: I think Mr. Hurni established the fact, and Mr. McMurray also alluded to the fact that would affect that. At the time of its acquisition, the Spokane National Bank was not doing very well, at the time of its acquisition by the National Bank of Washington, National Bank of Washington had charge-off problems. Then there was the subsequent large merger with Pacific National.

[1175] THE COURT: Who said they had chargeoff problems?

MR. TORRE: Mr. McMurray.

THE COURT: Where?

MR. TORRE: In his testimony.

THE COURT: I mean where did they have the chargeoff problems?

MR. TORRE: The chargeoffs are in the main office, I believe he mentioned that.

THE COURT: He said he heard they had some bad loans, is that what you are talking about?

MR. TORRE: Yes, your Honor.

THE COURT: What would that have to do with Spokane?

MR. TORRE: Well, if there are significant problems in the main office, the far-flung camps of the bank would tend to be neglected, I would assume. But more important, there is Mr. Hurni's testimony that if the Pacific National Bank had a deposit base in the Spokane trade area, that is within a hundred miles of Spokane, it would be effective in that market, because they could support a significant staff in that area.

THE COURT: What you are talking about is that they ought to have some more branches, is that it?

[1176] MR. TORRE: In that region, and he said in the trade area, and he defined that as within a hundred miles of Spokane.

THE COURT: Well, that isn't what I understood him to say at all. He said if they had more branches, not in the trade area of a hundred miles, he said, right in the metropolitan area.

MR. TORRE: He certainly said that, but he said that the deposit base to support the operations in that area were to be drawn from the trade area of Spokane. Now the National Bank of Commerce has fifteen branches within a hundred miles of Spokane. Again, they would form an excellent deposit base, to support a large operation in the Spokane market—

THE COURT: By going in on a small branch basis, is that the idea?

[1177] MR. TORRE: Going in on a sponsored bank basis, going in on a foothold basis. The foothold is in Spokane now, and the one we are focusing on in this trial apparently, the American Commercial Bank, has got five branches. It is not just one office in the downtown area, it has got 20 million dollars in deposits, it is a significant foothold. It is just not a little hole in the wall.

THE COURT: Have you analyzed the situation in Tacoma concerning the acquisition of the Bank of Tacoma by the Seattle-First to determine what progress they made and what factor they have become in this market?

MR. TORRE: Again I don't know the progress that they have made in the market, your Honor but I know they acquired a relatively small market share. The Bank of Tacoma—was not that significant a factor in the market, as I recall.

THE COURT: It was as significant a factor here as American Commercial is in Spokane.

MR. TORRE: Marketwise I don't know what they had at the time of acquisition, I'm sorry to say, your Honor, I just don't know.

THE COURT: All right, go ahead.

MR. TORRE: Again, N B C has the capability, [1178] it is a 1.8 million dollars bank, it has got muscle and it can apply that muscle to force deconcentration, and it has the ability to acquire foothold banks. It is willing to dig deep when it wants to acquire a bank. It demontrated that in acquiring the Washington Trust Bank, its intial offer was 400,000 shares, the ultimate tradeoff was 800,000 shares.

Also in the Spokane metropolitan area is the Farmers and Merchants Bank, another foothold.

THE COURT: That is the one in Opportunity and Rockford?

MR. TORRE: That's right, your Honor. And I believe Professor Haywood testified a bank could enter a market—serve a market from the fringe of that market. When I asked him to establish what he believed to be an anti-competitive merger potential competition, one of the examples he gave was that of a firm entering the fringe of the market and in competing in that market.

There has been evidence presented to demonstrate that proposed merger will increase competition by increasing the strength of the Washington Trust Bank to compete with the larger banks in that area.

In Philadelphia there was a similar argument, it was that the merger of the two Philadelphia banks [1179] would enable them to compete with the large New York banks.

THE COURT: Well, they are competing with each other, isn't that the case?

MR. TORRE: There was no allegation that they were in direct competition with New York banks in that case, the relevant market was a four-county Philadelphia area. But the Supreme Court said with regard to that argument of countervailing power, "We reject this application of the concept of countervailing power."

What they are saying is that the merger is not justified because of some overall factor, social and economic benefits of strength and power that it will increase the strength of one of the acquired firms in that market to compete with other big firms in the market.

Countervailing power also was rejected in the Bethlehem Steel case, which is a District Court case.

THE COURT: What do you say about the problem that I am faced with with regard to the credibility issue as relates to Dr. Smith on the one hand and to Dr. Haywood and Dr. Baxter on the other?

MR. TORRE: I see nothing that diminishes the credibility of Dr. Smith.

THE COURT: I have to select, don't I?

[1180] MR. TORRE: I suppose you do have to select, your Honor.

THE COURT: There isn't any doubt about that.

MR. TORRE: And I suppose that it is easy to select Dr. Baxter because Judge Boldt selected him in Idaho, and you are very influenced by that decision, I think.

THE COURT: No, you are telling me something that isn't true, I am not influenced by the decision. I am just saying that the same facts and the same circumstances prevail in this case as prevailed over there with the one exception, and that is the size of the city.

MR. TORRE: Well, there are significant differences and there are similarities.

THE COURT: What about Mr. McMurray's testimony, what did he say about the pro or anti-competitive effect of this? He said nothing about that, did he? He refused to comment on that. He said he didn't know.

MR. TORRE: On the what—I'm sorry.

THE COURT: The pro-competitive or anti-competitive effect of this merger; Mr. McMurray, your witness, said he didn't know.

MR. TORRE: He is a layman and not capable of [1181] evaluating the competitive effect as the Supreme Court said he was.

THE COURT: Do you think a lawyer is any more than a supervisor of banking is?

MR. TORRE: I think an economist is, your Honor, and I think—

THE COURT: Well, that is what gets me right back to Baxter and Haywood versus Smith.

MR. TORRE: Conventional, traditional economic thought is on the side of Dr. Smith. Dr. Haywood's and Dr. Baxter's positions have no support in traditional economics.

THE COURT: They sure wasted an awful lot of time getting their doctors if they don't know enough about economics to have the support for it when they come up here and testify. I am not depreciating Smith, I am just telling you that I just can't pass them off that easy.

MR. TORRE: Well, your Honor, I think that if the Court would examine an elementary text like Professor Scherer, who is a recognized authority in the field, you will see—

THE COURT: He is just another professor that wrote what he thought were the economic facts of life.

MR. TORRE: That's true. But then we have a [1182] setoff. He is a pre-eminent professor, and this textbook is an encyclopedic work in the area of competition and market analysis.

THE COURT: Where is he a professor?

MR. TORRE: He is at the University of Michigan, I believe.

THE COURT: I suppose a prof at Harvard would reject the contention that he should follow Dr. Scherer? He probably has his—

MR. TORRE: No, Richard Caves, a professor at Harvard, has written another work on that subject, and he again would agree with Dr. Smith.

THE COURT: Okay.

MR. TORRE: With regard to—you were mentioning Twin Falls being similar. It is very interesting that in Twin Falls, which has population of 22,000, I believe—

THE COURT: You said it was a concentrated market.

MR. TORRE: It was a concentrated market, it also—

THE COURT: Judge Boldt didn't agree with that.

MR. TORRE: That's true, and I suggest that was error and that the case should have been appealed but it wasn't for other reasons that I am not free to [1183] discuss at the moment.

But there were twenty-two—

THE COURT: He is now on the Pay Board, he might have refused to permit the Justice Department lawyers to get a pay increase.

All right.

MR. TORRE: It was testified in that case that the new entry wouldn't have been permitted. Entry wasn't probable because it wouldn't have been permitted because it would result in overbanking. But approximately a year after the merger and with no appreciable growth in the population of the area, entry was permitted. Another branch was allowed by the Comptroller, and in another market within a broader market area alleged in that case, the so-called Johnson area, the town of Burley, with a population of only 8000 people in that market had four offices, there was 2000 people per banking office, and it was testified, oh, this is a very overbanked area and we wouldn't permit a bank in that area, and less than a year after the merger, the Comptroller granted a branch in that area.

THE COURT: Where, in Burley?

MR. TORRE: Burley, a little town, it's astounding—

THE COURT: I know where Burley is, I played [1184] football against a fellow named Krascyznak there.

MR. TORRE: Can you believe five banks and four offices in Burley and still they are thriving?

MR. MOEN: I hate to interrupt counsel, but I would like to point out that we are outside the record.

MR. TORRE: We are.

THE COURT: I probably led him outside, Mr. Moen, and so if I led him outside, we will lead him back in again. Go ahead.

MR. TORRE: But I think it was interesting just to consider the post-action fact situation in that case.

THE COURT: All right.

MR. TORRE: With regard to the convenience and needs, we feel the defendants and the intervenor haven't met their burden as established by Phillipsburg and the Nashville decisions. That burden is very severe and hasn't been met.

That's all I have, your Honor.

THE COURT: All right. Mr. Moen.

MR. MOEN: If your Honor please, I don't know just what I can add to this to help solve the issues in this case. I have not prepared any formal argument, I am ready to try to answer any questions that the Court may have.

I feel ever since I got involved in this case [1185] that I am kind of a victim here of an argument between two governmental agencies who can't decide between themselves who has the statutory duty to regulate national banks. I think the short and quick answer to Torre's entire argument is simply that it is all theoretical and there is absolutely no proof of any kind that these theories apply either in the City of Spokane or in the State of Washington. I don't doubt for a minute the sincerity of Dr. Smith, and I agree with counsel that I think he explained his theories very lucidly. But the difficulty in trying to answer a case of this kind is that there is just no place, no authority I can point to to try to find out just what is involved in this theory.

If you look at Section 7 of the Clayton Act, you can read it until you are black in the face, you will find no reference to potential competition. It is true that there are cases in other industries in which the doctrine has been applied, but they are industries that are so dissimilar to the banking industry that, in my opinion, they form no authority whatsoever for the application of the doctrine to the banking industry.

Now, Mr. Torre talks about Dr. Scherer who has written this textbook. I have never heard of Dr. Scherer. I have never read his textbook until I came [1186] into this courtroom, and then I haven't had any opportunity to

really give it any real thought. But I would like to point this out, that if there is any authority on the doctrine of potential competition so far as is applied to the banking industry, it is in a monograph written by Dr. Haywood who is the outstanding authority on that subject, and we brought Dr. Haywood here and let him testify to tell the Court that it has no application to the facts in this particular case.

Now, if you are going to weigh the weight of the economists in this case, why, I submit that Dr. Baxter and Dr. Haywood are better qualified to express opinions in this area than Dr. Smith.

In addition to that, we have the testimony of three bankers, Mr. Carlson, Mr. Faragher and Mr. Stanton, who also have supported and told the Court what the competitive level is from the standpoint of actual performance, what is actually taking place in the market, and I am familiar with the statement contained in the Philadelphia case. But let me point out to the Court that if you read the full footnote, what it says is that they questioned the weight to be given to the bankers' testimony in that case because they did not explain the reasons for their conclusions.

But so far as we are concerned in this case, [1187] the bankers did explain it and I submit that bankers who are actually working in the market are even better qualified than theorists to explain what is actually taking place.

Now, Mr. Torre has made some statements with which I disagree, I hate to get into them because, frankly, I don't think that they are particularly important in this case. But he refers to this discussion about the merger with the Yakima bank.

What actually took place, and I think it is in the record, they introduced the answers to interrogatories, is that they had one luncheon meeting which took place over three years ago in which they had two cocktails and ate lunch and spent an hour and a half talking about banking problems when someone mentioned the possibility of a merger. Since that time neither of the two bankers involved in this particular discussion have ever talked to the other one, not one word has been said about attempting

to negotiate or try to form a merger or talking about the merger issue, what the price should be. It's just an informal conversation which takes place during a luncheon hour. That in my opinion—to say that that points out or is any evidence of the fact that Washington Trust Bank might go outside of Spokane is just nonsense.

[1188] I would like to point out that the same thing is true of all of these memorandums. They have gone through the memorandums of these branch banks, all the banks, and if I were to pile them on this table they would stand that high, literally, and I am not exaggerating, and they go back over a period of twenty years, and they pick up isolated statements, and five years later they pick up another one. You don't know the context in which the memo was written, you don't know whether the author knows what he was talking about, they just aren't any evidence in any sense of the word. All I can say is that those are admitted, it's up to the Court to determine if they have any probative value.

With respect to means of entry, I want to point out that three Washington statutes, which all must be considered, are what the economists call barriers to entry, every one constitutes some kind of a barrier to entry.

As far as American Commercial Bank is concerned, there is not one speck of evidence in this record to indicate that the bank is now or ever will be for sale. We thought of bringing officers here to tell the Court that, but what's the point in trying to defend against something which we have never been charged with. There is no evidence here, it's simply an assumption on their [1189] part.

The same thing is true of Farmers and Merchants Bank, every witness who testified told you that that is not a means of entry because they could not service the Spokane market from a branch out six or eight miles out of town.

So far as this wings effect is concerned, Mr. Smith says yes, we have got two economists, three bankers who say no.

With respect to the Philadelphia case and the Phillipsburg case, I would like to point out that both of these

cases are actual direct competition cases, and since they have come down, there have been six District Courts who have said that they are not necessarily decisive of the issues in a potential competition case. This is the eighth case that they have filed since 1967, in six of those cases the District Court Judges, one of them was a three-judge court, have told the Justice Department in effect that they have not proved their case.

I submit that the same thing is true here, there is utterly no evidence to actually prove here that there has been any lessening of competition in the line of banking in any section of the country.

Thank you.

[1190] THE COURT: Mr. Hartman?

MR. HARTMAN: Your Honor, I don't want to take very long, but first I want to clear up a point here.

Mr. Torre was relying quite heavily, it seems to me, on the Philadelphia National case, and he talked about the effects of the pro-competitive effects having no value in determining cases of this kind. Now, Senator Robertson in the legislative history of the Bank Merger Act, which has been passed since that Philadelphia National case—

THE COURT: That was the '66 Act?

MR. HARTMAN: The '66 Act. He pointed out that the Bank Merger Act was passed to reverse a decision of the Supreme Court, and referring to the Philadelphia National case, and the judges in Croker-Anglo recognized that point. Phillipsburg goes even farther, it recognizes that pro-competitive effects are certainly relevant considerations under the convenience and needs aspect of these cases. I just wanted to clear that point up.

Now, as I look at this case, your Honor, under the plaintiff's theory something may occur and it may take up to ten years for whatever their theory says will happen down the road. Now, what we think the intervenor has done in this case so far is to put on [1191] actual, live people to testify as to their banking needs and how they can't wait ten years to get new banking resources into the Spokane area.

For example, Mr. Bennett has somewhere in the neighborhood of 300 employees. Now, he's got—he is one of five or six mills of comparable size, they all compete, he competes with larger mills, and I'm sure Georgia Pacific and those people, and he can't get the kind of financing he needs. He has to curtail his operations, he testified.

Now, he also said this acquisition, if Washington Trust as a bank, which is interested in the lumber industry and is concerned with their needs, if that bank were able to do more financing, this would be beneficial to the entire industry, and he also said he couldn't wait for ten years.

I know your Honor remembers Mrs. Bruckner who was on the stand talking about her needs, student loans, she couldn't wait. She certainly hoped those students didn't have to wait for ten years to have another source available to them.

And Mr. Barrett, the president of the Federal Intermediate Credit Banks, he needs vast amounts of capital and financing, much of which he gets through the sale of debentures. But when he has those emergency [1192] needs of his, which are designed to help the farmers in some five or six states, I believe it is that his area covers, he needs it right now and he needs to have a bank that he can talk with immediately and in the area. He's got one source in Spokane and he needs a competitive source, and he thinks that the National Bank of Commerce would be a competitive source. In fact, he has already taken advantage of this merger by using this merger to go to Seattle-First and do a little bargaining with them. He has got his lending line of credit increased. There is an actual effect that has already occurred, nothing theoretical about that.

Mr. Hanson, I thought, put it rather appropriately when he was asked about his—what would happen when his credit needs exceeded the limit of the Old National, and he said well, he said there is just one store left in town as he saw it.

And then we also heard from Mr. Degerstrom, here is a man that employees from 175 to 300 people. He

needs a lot of financing beyond Washington Trust limits at times and he ends up going through his machinery dealer with Seattle-First. He is paying three percent more, I believe, by going through—by doing it this way. He makes business on public projects and those interest costs are part of his bid calculations. He can [1193] sharpen his pencil a little bit now if there is more competition in the Spokane area.

Lastly, your Honor will recall Mr. Merton Howard, the county treasurer of Spokane County, who immediately recognized that on repurchase agreements that he had experience, when he was dealing with two banks, he got a better rate and he was looking forward to N B of C being in there, so he would have three banks to deal with and he could get a better rate on those repurchase agreements which he finally concluded would redownd to the benefit of the taxpayer.

That is my point, your Honor, that we think there is some immediate and direct benefits to the community as opposed to theoretical things in the future.

Thank you.

THE COURT: All right, I am ready to decide the case.

MR. TORRE: One further point.

THE COURT: All right, go ahead.

MR. TORRE: Should your Honor be inclined to rule against us, we would ask that the Court continue the stay in this merger for another 30 days and should notice of appeal be filed until appellate remedies are exhausted. [1194] I believe we are supported by the decision of the Supreme Court in this request in United States vs. First City National Bank of Houston, which states that "Absent a frivolous complaint by the United States, which we presume will be infrequent, a stay is essential until the judicial remedies have been exhausted." The caption of the 1966 Act states that it is designed "to establish a procedure for the review of proposed bank mergers so as to eliminate the necessity for the dissolution of merged banks."

"Legislative history is replete with references to the difficulty of unscrambling two or more banks after their merger. The normal procedure therefore should be maintaenance of the status quo until the antitrust litigation has run its course, lest consummation take place and the unscrambling process that Congress abhorred in the case of banks be necessary."

So again we ask the stay be continued for 30 days, and if notice of appeal should be filed, continued until appeal has been exhausted.

[1195] THE COURT: All right, I will take that matter up with you, Counsel.

During the course of the trial, you probably obviously noticed that I don't take any notes. The reason I don't take notes is that I can't listen to the witnesses and write at the same time. I attempt to evaluate the witness' testimony by not only hearing what he says but looking at him while he is saying it. There are a lot of things that you take into consideration aside from just what a man says. Sometimes it is more important to see him when he says it.

As far as my evaluation is concerned, I am more impressed and give more credence to the testimony of Dr. Baxter and Dr. Haywood than I do to Dr. Smith. Of course, that indicates to you how I am going to decide the case. Now I will give you my reasons for that.

Dr. Smith, and I don't discredit his testimony to the point that I just feel that he got up here and said something that he didn't believe, that isn't the point at all. But he started talking about this rivalry as contrasted to competition. I was concerned about that because that isn't something I run into every day. I know what a rivalry is as regards to athletic competition. Washington State University [1196] and the University of Washington, for example, are bitter rivals. I went through that, I know that, but that doesn't mean that they don't compete just because they are bitter rivals. They do compete, and if you saw the game in Spokane, you would realize they competed. Of course, it turned out to my satisfaction, so I was really happy that they com-

peted. Of course, there are people in the audience here that were really unhappy, I think, because of the competition. It depends on where you look.

But referring to his statement about rivalry, I was not quite sure just what he had to back that up with except the reference, I believe, to something that was said between two bankers at the cocktail party concerning their specifics concerning some interest rates, what have you. Then I asked Dr. Haywood about that, and he explained to me that term, as it relates to economic theory, meaning that rivalry is a term used when you don't have what you call pure, unadulterated competition, is the way I understood him to say. Then he started talking about rivalry as a theoretical term. I was impressed by Dr. Haywood's knowledge in the area. His conclusions regarding what constitutes a concentrated market and his explanation of why he didn't think the Spokane [1197] market was per se a concentrated market, I was impressed by the manner in which he testified, which I felt was not in any way hesitant. He was forthright and he didn't hesitate, he didn't meander or wander around. He gave direct answers, he didn't qualify.

I personally observed him and I observed Smith, and I gave more credence because of his manner, and he was more lucid, as far as I was concerned, in his explanation to me, and then that is a requirement that I understand what they are talking about.

As far as Baxter is concerned, I think the basis of his opinions were fairly well stated because of the statistical analysis that he made and the type of analysis that he made. As, for example, the number of people per banking office, that I felt had a basis for the opinion he expressed, and a number of other factors, population, the style of the city of Spokane, and its position as relates to the other cities in the nation of similar population, and the number of banks in the city and his analysis, and they all agreed on the slow growth aspect of the City of Spokane, which is very comparable to the problem that was raised in Twin Falls and the potential and the toehold acquisition. How are you going to grow if you

go in on a toehold basis, and I recite that as it relates to desire for a [1198] bank to go into a market of that character on a toehold basis, what the future holds and the experience of the Pacific National Bank in the community.

You talk about all these new deposits that are going to be available in the future; in the future when? Those kinds of things, in my judgment, are the facts that I used in determining the credibility of the testimony of the experts who gave me the theory.

The wings effect, well, if you talk about wings effect, it is the Pacific National Bank's experience, if that is any indication of what the other bankers feel about wings effect, if they were to go in there on a branch basis, the national bank branch basis authorized by the Comptroller, I can't see any wings effect there nor do I see any particular wings effect on an acquisition basis of the bank in Rockport and the bank in Opportunity.

If you don't have a substantial office in the downtown area of Spokane in that market, I don't think that you are going to be competitive, period, regardless of whether you want to give any free checking accounts and all of the other matters and other ways that the banks could be competitive according to your contentions.

Another thing, consider in a regulated business, it is a little different ball of wax than supermarkets. [1199] Who cares whether supermarkets go broke from the government standpoint? You don't regulate supermarkets as far as going broke is concerned or markets, period, or restaurants. When you start talking about banks, that's a different matter.

The Comptroller of the Currency, that is his primary interest in seeing that a bank that goes into a market doesn't fail nor does it cause the other banks to fail, put them on the ragged edge. That is in the public interest, sure, although the FDIC comes to the rescue and pays off the depositors. On the other hand, there are a lot of other emoluments, if you want to call it that, from a bank failure. So you have got a regulated industry.

You have got the Comptroller of the Currency allegedly, at least, acting in the public interest. On the other hand, you have the Department of Justice allegedly acting in the public interest. In my opinion no one has a monopoly on the public interest. I think that the Comptroller's office is as much interested in the public, the people, if you choose, as is the Justice Department. I see very little difference. They have different opinions, as is demonstrated by the number of cases where they barnstorm, and that's about what it is, what it amounts to, they are all over the [1200] country fighting each other at taxpayers' expense, incidentally.

So I just can't feel that the Comptroller's office and their expertise is to be—it's a question, but it takes a burden to establish that the Comptroller's decisions aren't in the public interest, in my judgment.

I don't think that the government has met the burden in this instance.

I will go right down this headnote, and I agree with headnote number 1 on page 261 of U. S. vs. Idaho, "In bank merger case, trial is de novo and function of trial court is to consider and determine anew and fresh all issues of fact and law," "Number 2, the government has the burden to show by preponderance of evidence that, in reasonable probability, the bank merger, which was approved by Comptroller of the Currency, would substantially lessen competition, and the banks"—and I don't read this exactly the way it is written, if there is an indication of an anti-competitive effect, then the bank, of course, has the—and the Comptroller has the burden of proving that the merger would provide clear and better bank services meeting needs and requirements of the community that clearly outweight in public interest any anti-competitive effects that might result from the merger.

[1201] Well, I just don't see where there is going to be any anti-competitive effect here. I don't think the facts show it. I don't even think in theory it was shown in this instance. I think that Baxter and Haywood have established that this theory, these two banks, I find as a

fact and you stipulated to this, were not competing with each other despite the fact that the N B of C did have branch offices outside the City of Spokane but not close enough to be in any way competitive with Washington Trust.

And I agree with this 3rd headnote that de novo trial, the District Court tries it as any other case, and you determine it upon the specific facts found from the evidence presented in that particular theory.

I explained, as a matter of fact, and I think it is agreed, that the growth of Spokane has been slow and will continue to be slow and moderate and that any new bank that goes in there on a toehold interest would not be a factor because it would be so long, if ever, that that bank would get a share of the new deposits that it just wouldn't be a factor.

Then there is another reason, the facts of life are that you just don't go out and pirate other people's customers when they are banking customers like you do by putting an ad in a newspaper saying, "Hamburger on [1202] sale." The women go around and shop, most of them, I guess, and every time you put the words "For Sale" up, why, they flock in. Have you ever had the experience of going into a department store where they have what they call these tables with all the stuff on it, they fight each other to get at that stuff because of price. That isn't the banking business at all.

In the first place, a banker and his customer have a confidential relationship, and I think I stated it fairly clearly when I said a man once told me that the reason that he banked at the Bank of California was that they didn't have a local Board of Directors, he didn't have a lot of people talking about his business. I think that is quite true. Nobody wants anybody else to know what goes on in his business, how much money he needs, whether he is hard-pressed or anything of that sort. So you have a confidential relationship.

You really have a different situation when it comes to competing for customers, and I would go one step further, you are not going in the banking business to

keep your customers unless you give what I call a good deal, that's an old street term. There is an adage, "No deal is a good deal unless it is good for both sides." How true. So it's got to be good for the customers as well as for the bank.

[1203] So when you start talking about competition in banks, it is true that some may be overzealous banks that want to make too much money, they might get together with some of their alleged competition, but that isn't this case.

There is another factor, this is a fact of life, you have a lot more people in a bank than the chief executive, and those people like to be promoted. They work there for years and years. How do they get promoted? By doing a good job, hustling, trying to do a good job from a competitive standpoint to show their ability to earn what they think they are worth. That is not a matter in evidence here, but it is a fact of life that you have to draw on in making a determination of what competition is and how it occurs and in addition to theoretical points.

Well now, Spokane is well banked, let's put it that way, it doesn't need another bank, a new one to go in there on a new basis to make competition in that market. I also find here that this line of commerce business has got to extend a little bit, as has been testified. Fidelity, Washington Mutual, and the Lincoln Savings are real factors so far as the public is concerned, as are credit unions. Even stockbrokers like to get your money rather than put it in the bank where you get [1204] low interest. They like to tell you that you can invest in Amalgamated Used Cars and get high interest.

So that there is real competition not only between banks, commercial banks, and I find that to be the fact in the Spokane market, and I think that is, as you call it, a pro-competitive effect so far as competing with commercial banks is concerned, because if they try to get together or aren't competitive, then the savings and loans are going to get the money. That is my attitude.

[1205] Then let's go one step further, we'll take a little time here, the Spokane market, there is no doubt about that that in my mind, I think the evidence is overwhelm-

ing, it is almost limited, certainly to the county, and more to just the metropolitan area of the city, as far as the market is concerned, I think there is evidence of that.

As far as this Washington Trust and N B of C merger affecting the Yakima or the Walla Walla or the other areas in the eastern part of the state in an anti-competitive manner, I think the evidence is overwhelming to the effect that Spokane doesn't have any appreciable effect on what happens in the banking area in Walla Walla, or what happens in Yakima, or what happens in Wenatchee. I just don't think it has any effect at all, and I think the evidence supports that conclusion.

I see Washington Trust as a real competitor in the market, I don't think it is going to depreciate Washington Trust's competitive position in the market, I think if anything this will increase its competitive ability in the market.

This section of the country business that you talk about, the section of the country, if it is a section of the country, is Spokane County, if you want [1206] to call that a section of the country. I don't think the testimony supports any effect at all, nor any conclusion that the market extends outside that area. And you have already agreed on No. 9 where it says they are not in competition with each other. I don't think this is going to alter the degree of concentration in the market, in the Spokane market, in any significant degree, any more than it has, the fact that the two largest banks are in Seattle, or that the two largest banks meet in other areas. I just don't think the evidence establishes that.

As far as need is concerned, I think that a need has been established, and how great a degree I am not prepared to say, but there is a need, but I don't think it is necessary to show the need because I don't see any anti-competitive effect of the merger.

You can prepare the Findings and Conclusions in accordance with what I have said here, and if I haven't touched on any issues, tell me. Do you think I have touched them all?

As far as the stay is concerned, thirty days is not going to make any great big problem I don't think. What I

should do is write a memorandum decision of what I have said so you can just look it over and see just how I treat credibility and those [1207] types of things, and make your determination then whether you want to go forward with it.

But I just don't feel, Mr. Torre, that the people are going to get hurt. If I thought they were, I mean the fellow who is the average guy, if you want to use that term, I don't think he is going to get hurt, I just don't see it. If I felt that he was, you can be assured I would be deciding the case the other way, if I just thought the evidence showed it. If I thought he was going to get hurt in the future, I would certainly decide the case contrary to the way I have.

Now I don't know whether I have expressed my views sufficiently to permit or help you make your Findings. Do you think I have?

MR. MOEN: I think you have, your Honor.

THE COURT: You can prepare Findings and Conclusions, and I may write a memorandum, but I just don't think I will at the moment.

MR. MOEN: Your Honor, I would like to move for dissolution of the statutory injunction, to be effective, say, ten days after the entry of Judgment, and that would give him ten days to file notice of appeal if they want to. There is no need for thirty days, they can make up their mind and file their notice. [1208] They have held this up now for eighteen months.

THE COURT: Well, the trouble with that is, and I have had some experience with the Justice Department in the past, with government. You know once upon a time before I had this job I left a law firm and took a job as a United States attorney just on a temporary situation, and you are aware of that.

MR. MOEN: Yes, your Honor.

THE COURT: And it was real temporary, fortunately. But during the time I was there I had lots of experience with the Justice Department.

MR. MOEN: Of course it will take a few days to prepare Findings.

THE COURT: Well, there is another factor here that I take into consideration, it takes a little time for the Antitrust Division and Mr. Torre and the other people to get all over the situation, and I will give him a little time to think about it and talk about it.

MR. MOEN: Are you suggesting thirty days after entry of Judgment?

THE COURT: Well, I think that would be fair. Let them talk it over back there and decide whether Goodwin has committed reversible error, and whether as a matter of fact from the evidence here and the law, [1209] they could convince somebody else that I was wrong. They can talk it over, if they want to.

MR. TORRE: Your Honor, just so I can get a time sequence—

THE COURT: Well, thirty days after the entrance of Judgment. He is going to prepare the Findings and Conclusions. I may not agree with his Findings, he may not make them broad enough. I would like to have you show in there that I credit the testimony of Baxter and Haywood, and why I credit their testimony, because of my personal observation of them and the fact that I think they more adequately answered the questions that were proposed concerning the potential wings, and all the rest of it. Just put all that in there, will you?

MR. MOEN: We will put that in, your Honor.

MR. TORRE: And how much time does he have?

THE COURT: To prepare the Findings?

MR. TORRE: Yes.

THE COURT: Well, I am not going to set a time limit on him, because I think his clients will see that he gets out the Findings in a hurry, so I don't have to tell him.

MR. MOEN: I will serve notice on Mr. Torre.

THE COURT: All right, and then we can [1210] discuss them at some further time. Now I am not going to be here during the month of February, so you had better get them out in a hurry.

MR. MOEN: I will, your Honor.

THE COURT: And that will give you about three weeks.

MR. TORRE: And Judgment will be entered after—

THE COURT: After I look at those Findings. When I make a decision I don't like to have just cursory Findings, I want them to contain statements like I made here. I like to credit certain witness' testimony, and the reason I do it, and so forth, because when you decide a question on the facts, you want it to appear why you did that and why you felt the testimony of one witness was more credible than that of another.

All right, that will be all. Court will be at recess.

oOo

[1211] REPORTERS' CERTIFICATE

WE, W. L. Mayrand and Gerald J. Popelka, Official Court Reporters for the United States District Court, for the Western District of Washington, do hereby certify that the annexed and foregoing is a full, true and correct transcript of proceedings had in the above-entitled and -numbered cause, on the date hereinbefore set forth, and we do further certify that the same has been prepared by us or under our direction.

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GX A-1

CHANGE IN TOTAL DEPOSITS OF THE TEN LARGEST COMMERCIAL BANKING ORGANIZATIONS IN STATE OF WASHINGTON
1960 - 1971

(dollars in millions)

Banking Organizations	Percent of Total December 31st											
	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
Seattle - First National Bank - Seattle	32.9	32.0	31.4	31.3	31.5	32.4	31.8	33.2	33.2	33.8	34.6	32.4
National Bank of Commerce of Seattle	22.8	21.6	21.2	20.0	19.3	19.4	19.4	18.7	18.5	18.7	18.7	19.0
Pacific National Bank of Washington-Seattle	9.3	10.7 2/										
Peoples National Bank of Washington-Seattle	6.4	6.7	7.0	7.2	7.4	7.2	7.5	7.5	7.5	7.6	7.6	7.4
Washington Bancshares, Inc.-Spokane 1/	5.3	5.7	5.5	5.6	5.8	5.8	5.9	6.2	5.7	5.6	5.8	6.1
Puget Sound National Bank-Tacoma	3.1	3.1	3.2	3.1	3.3	3.3	3.3	3.2	3.3	3.2	2.9	2.9
Bank of California-Seattle & Tacoma	2.8	3.1	3.5	4.3	3.8	3.8	4.0	3.9	3.9	3.7	3.7	3.6
Seattle Trust & Savings Bank-Seattle	2.6	2.5	2.4	2.5	2.7	2.3	2.4	2.3	2.5	2.4	2.3	2.2
Washington Trust Bank-Spokane	1.4	1.4	1.4	1.4	1.5	1.4	1.5	1.5	1.4	1.4	1.5	
Everett Trust & Savings Bank-Everett	1.2	1.2										
National Bank of Washington-Tacoma 2/			6.9	7.2	6.8	6.3	6.2	6.3	6.1	6.1	6.0	6.0
Pacific National Bank of Seattle 2/			4.1	4.2	5.0	5.2	4.9	4.9	5.0	5.5	5.4	5.1
First National Bank of Everett-Everett 3/												2.1
Ten Largest Banking Organizations	87.8	88.0	86.5	86.7	87.1	87.0	87.0	87.7	87.2	88.1	88.5	86.7
Total Deposits for State of Washington	6,914	6,159	5,541	5,415	4,927	4,358	3,969	3,624	3,386	3,303	3,052	2,838

Note: Due to rounding figures may not add to totals.

1/ Old National Bank of Washington & First National Bank of Spokane are subsidiaries of the Washington Bancshares, Inc., Spokane.

2/ National Bank of Washington, Tacoma merged with Pacific National Bank of Seattle, Seattle under title Pacific National Bank of Washington 8/17/70.

3/ First National Bank of Everett merged with Seattle-First National Bank, Seattle 11/16/61.

SOURCES: Polk's Bank Directory; FDIC Changes Among Operating Banks and Branches; and letter from Bank of California dated Sept. 7, 1972.

GX A-2

ASSETS, TOTAL DEPOSITS AND LOANS OF COMMERCIAL BANK ORGANIZATIONS IN WASHINGTON AS OF 12-31-71

Bank Organizations	No. of Banks ( )	Assets 000's	Percent of Total	Total Deposits 000's	Percent of Total	Loans 000's	Percent of Total
Seattle - First National Bank - Seattle		$2,817,651	34.5	$2,272,005	32.9	$1,373,805	32.8
National Bank of Commerce of Seattle - Seattle		1,800,065	22.0	1,576,639	22.8	881,327	21.0
Pacific National Bank of Washington - Seattle		755,554	9.2	642,938	9.3	416,749	9.9
Peoples National Bank of Washington - Seattle 1/		522,395	6.4	440,840	6.4	264,348	6.3
Washington Bancshares, Inc. - Spokane		419,038	5.1	365,438	5.3	215,090	5.1
Old National Bank of Washington - Spokane		367,951	4.5	325,022	4.7	188,970	4.5
First National Bank in Spokane		51,107	0.6	40,416	0.6	26,120	0.6
Sub Total: 5 Largest Banking Organizations	(6)	6,314,923	77.3	5,297,860	76.6	3,151,319	75.1
Puget Sound National Bank - Tacoma 2/		242,068	3.0	217,031	3.1	162,788	3.9
Bank of California - Seattle and Tacoma		207,397	2.5	194,112	2.8	150,414	3.6
Seattle Trust and Savings Bank - Seattle		209,202	2.6	178,505	2.6	109,690	2.6
Washington Trust Bank - Spokane		111,951	1.4	95,648	1.4	57,629	1.4
Everett Trust and Savings Bank - Everett		96,429	1.2	85,173	1.2	51,391	1.2
Sub Total: 10 Largest Banking Organizations	(11)	7,181,970	87.9	6,068,329	87.8	3,683,231	87.8
First Independent Bank - Vancouver		81,137	1.0	59,707	0.9	35,280	0.8
Baker-Boyer National Bank - Walla Walla		51,762	0.6	46,331	0.7	24,543	0.6
Bank of Yakima - Yakima		44,339	0.5	39,505	0.6	26,534	0.6
Bank of the West - Bellevue		46,344	0.6	35,419	0.5	29,975	0.7
Bellingham National Bank - Bellingham		39,412	0.5	34,253	0.5	17,464	0.4
Bank of Cowlitz County - Longview		34,371	0.4	30,488	0.4	21,090	0.5
Bank of Everett - Everett		32,770	0.4	28,408	0.4	17,949	0.4
First National Bank - Port Angeles		31,922	0.4	27,903	0.4	14,469	0.3
Citizens State Bank - Puyallup		26,693	0.3	24,004	0.3	15,731	0.4
Kitsap County Bank - Port Orchard		22,939	0.3	20,742	0.3	11,654	0.3
Other Banks with $20 Million or more deposits	(10)	411,689	5.0	346,760	5.0	214,689	5.1
Sub Total: 20 Bank Organizations with $20 Million or more deposits	(21)	7,593,659	92.9	6,415,089	92.8	3,897,920	92.9
All other Commercial Bank Organizations	(71)	578,266	7.1	499,069	7.2	296,386	7.1
Total: 91 Bank Organizations in Washington	(92)	$8,171,925	100.0	$6,914,158	100.0	$4,194,306	100.0

1/ Acquired Bank of Vancouver, National Assoc. 4-5-71.
2/ Acquired National Bank of Mason County 3-19-71.

Note: Due to rounding figures may not add to totals.

SOURCE: Polk's Bank Directory; FDIC Changes Among Operating Banks and Branches; and letter from Bank of California dated September 7 and 19, 1972.

GX A-3

ASSETS, TOTAL DEPOSITS AND LOANS OF COMMERCIAL BANK ORGANIZATIONS IN WASHINGTON AS OF 12-31-70

Bank Organizations	No. of Banks ( )	Assets 000's	Percent of Total	Total Deposits 000's	Percent of Total	Loans 000's	Percent of Total
Seattle - First National Bank - Seattle 1/		$2,548,663	34.5	$1,974,803	32.0	$1,205,288	32.4
National Bank of Commerce of Seattle - Seattle		1,527,900	20.7	1,330,692	21.6	723,991	19.4
Pacific National Bank of Washington - Seattle 2/		761,989	10.3	659,057	10.7	412,669	11.1
Peoples National Bank of Washington - Seattle 3/		511,121	6.9	414,270	6.7	250,691	6.7
Washington Bancshares, Inc. - Spokane		401,527	5.4	354,621	5.7	218,741	5.9
Old National Bank of Washington - Spokane 4/		355,685	4.8	317,194	5.1	194,920	5.2
First National Bank in Spokane		45,842	0.6	37,427	0.6	23,821	0.6
Sub Total: 5 Largest Banking Organizations	(6)	5,751,200	77.8	4,733,443	76.7	2,811,380	75.5
Puget Sound National Bank - Tacoma		214,648	2.9	189,908	3.1	135,490	3.6
Bank of California - Seattle and Tacoma		199,687	2.7	188,998	3.1	135,021	3.6
Seattle Trust and Savings Bank - Seattle 5/		186,774	2.5	156,693	2.5	92,299	2.5
Washington Trust Bank - Spokane		102,633	1.4	87,346	1.4	54,055	1.5
Everett Trust and Savings Bank - Everett		84,174	1.1	73,399	1.2	50,118	1.3
Sub Total: 10 Largest Banking Organizations	(11)	6,539,116	88.4	5,429,787	88.0	3,278,363	88.0
First Independent Bank - Vancouver		62,187	0.8	53,001	0.9	31,174	0.8
Baker-Boyer National Bank of Walla Walla		45,482	0.6	39,646	0.6	23,775	0.6
Bank of Yakima - Yakima 6/		37,217	0.5	32,828	0.5	21,968	0.6
Bank of the West - Bellevue 7/		36,334	0.5	31,289	0.5	21,934	0.6
Bellingham National Bank - Bellingham		35,270	0.5	30,195	0.5	15,697 8/	0.4
First National Bank in Port Angeles		27,658	0.4	24,182	0.4	14,421	0.4
Bank of Everett - Everett		26,715	0.4	23,610	0.4	14,170	0.4
Citizens State Bank - Puyallup		25,155	0.3	22,758	0.4	16,661	0.4
Bank of Cowlitz County - Longview		25,764	0.3	22,613	0.4	15,287	0.4
Other Banks with $20 Million or more deposits	(9)	321,782	4.4	280,122	4.5	175,087	4.7
Sub Total: 19 Bank Organizations with $20 Million or more deposits	(20)	6,860,898	92.8	5,709,909	92.6	3,453,450	92.7
All other Commercial Bank Organizations	(71)	535,151	7.2	459,234	7.4	270,142	7.3
Total: 90 Bank Organizations in Washington	(91)	$7,396,049	100.0	$6,169,143	100.0	$3,723,592	100.0

1150

1/ Acquired Bank of Tacoma 11-29-69.

2/ National Bank of Washington, Tacoma merged with Pacific National Bank of Seattle, under title Pacific National Bank of Washington 8-17-70, head office moved from Tacoma to Seattle.

3/ Acquired Langley State Bank 7-6-70.

4/ Acquired Commercial Bank of Washington, Twisp 4-30-70; North West Bank, Seattle 9-25-70 and First National Bank, Tonasket 10-1-70.

5/ Acquired Cle Elum State Bank 3-2-70.

6/ Acquired Bank of Prosser 4-30-70.

7/ Acquired Redmond State Bank 2-24-70.

8/ Reported as "Undivided Profits" under assets in Polk's Bank Directory, March 1971.

Note: Due to rounding figures may not add to totals.

SOURCES: Polk's Bank Directory; FDIC Changes Among Operating Banks and Branches and letters from Bank of California dated September 7 and 19, 1972.

GX A-4

TOTAL DEPOSITS OF THE TEN LARGEST COMMERCIAL BANK ORGANIZATIONS
IN WASHINGTON AS OF 12-31-69

Bank	Bank Organizations	Total Deposits 000's	Percent of Total
1	Seattle-First National Bank-Seattle & Spokane	$1,740,681	31.4%
2	National Bank of Commerce-Seattle	1,172,546	21.2
3	Peoples National Bank of Washington-Seattle	385,208	7.0
4	National Bank of Washington-Tacoma	380,968	6.9
5	Washington Bancshares, Inc.-Spokane	303,431	5.5
	Old National Bank of Washington - Spokane	269,089	4.9
	First National Bank of Spokane	34,342	0.6
6	Pacific National Bank of Seattle	225,901	4.1
7	Bank of California-Seattle & Tacoma	191,562	3.5
8	Puget Sound National Bank-Tacoma	175,745	3.2
9	Seattle Trust & Savings Bank-Seattle	135,565	2.4
10	Washington Trust Bank-Spokane	80,293	1.4
	Ten Largest Banking Organizations	$4,791,900	86.5
	Total Deposits for State of Washington	$5,541,093	100.0%

SOURCE: Polk's Bank Directory and letter from Bank of California dated September 7, 1972.

TOTAL DEPOSITS OF THE TEN LARGEST COMMERCIAL BANK ORGANIZATIONS
IN WASHINGTON AS OF 12-31-68

Rank	Bank Organizations	Total Deposits 000's	Percent of Total
1	Seattle-First National Bank-Seattle	$1,692,349	31.3%
2	National Bank of Commerce-Seattle	1,083,024	20.0
3	National Bank of Washington-Tacoma	389,138	7.2
4	Peoples National Bank-Seattle	388,662	7.2
5	Washington Bancshares, Inc.-Spokane	301,316	5.6
	Old National Bank of Washington-Spokane	264,310	4.9
	First National Bank of Spokane	37,006	0.7
6	Bank of California-Seattle and Tacoma	231,639	4.3
7	Pacific National Bank of Seattle	229,963	4.2
8	Puget Sound National Bank-Tacoma	168,137	3.1
9	Seattle Trust and Savings Bank-Seattle	135,882	2.5
10	Washington Trust Bank-Spokane	74,864	1.4
	Ten Largest Banking Organizations	$4,694,974	86.7
	Total Deposits for State of Washington	$5,414,794	100.0%

SOURCE: Polk's Bank Directory and letter from Bank of California dated September 7, 1972.

GX A-6

TOTAL DEPOSITS OF THE TEN LARGEST COMMERCIAL BANK ORGANIZATIONS
IN WASHINGTON AS OF 12-31-67

Rank	Bank Organizations	Total Deposits 000's	Percent of Total
1	Seattle-First National Bank-Seattle	$1,553,602	31.5%
2	National Bank of Commerce-Seattle	948,452	19.3
3	Peoples National Bank-Seattle	365,154	7.4
4	National Bank of Washington-Tacoma	336,014	6.8
5	Washington Bancshares, Inc.-Spokane	285,757	5.8
	Old National Bank of Washington-Spokane	252,505	5.1
	First National Bank of Spokane	33,252	0.7
6	Pacific National Bank of Seattle	247,407	5.0
7	Bank of California-Seattle and Tacoma	187,780	3.8
8	Puget Sound National Bank-Tacoma	162,524	3.3
9	Seattle Trust and Savings Bank-Seattle	131,003	2.7
10	Washington Trust Bank-Spokane	71,772	1.5
	Ten Largest Banking Organizations	$4,289,465	87.1
	Total Deposits for State of Washington	$4,926,742	100.0%

SOURCE: Polk's Bank Directory and letter from Bank of California dated September 7, 1972.

GX A-7

TOTAL DEPOSITS OF THE TEN LARGEST COMMERCIAL BANK ORGANIZATIONS
IN WASHINGTON AS OF 12-31-66

Rank	Bank Organizations	Total Deposits 000's	Percent of Total
1	Seattle-First National Bank-Seattle	$1,410,328	32.4%
2	National Bank of Commerce-Seattle	843,926	19.4
3	Peoples National Bank-Seattle	312,744	7.2
4	National Bank of Washington-Tacoma	274,325	6.3
5	Washington Bancshares, Inc.,-Spokane	254,012	5.8
	Old National Bank of Washington-Spokane	223,661	5.1
	First National Bank of Spokane	30,351	0.7
6	Pacific National Bank of Seattle	226,206	5.2
7	Bank of California-Seattle and Tacoma	165,100	3.8
8	Puget Sound National Bank-Tacoma	143,795	3.3
9	Seattle Trust and Savings Bank-Seattle	98,564	2.3
10	Washington Trust Bank-Spokane	63,102	1.4
	Ten Largest Banking Organizations	$3,792,102	87.0
	Total Deposits for State of Washington	$4,357,896	100.0%

SOURCE: Polk's Bank Directory and letter from Bank of California dated September 7, 1972.

GX A-8

ASSETS, TOTAL DEPOSITS AND LOANS OF COMMERCIAL BANK ORGANIZATIONS IN WASHINGTON AS OF 12-31-65

Bank Organizations	No. of Banks ( )	Assets 000's	Percent of Total	Total Deposits 000's	Percent of Total	Loans 000's	Percent of Total
Seattle - First National Bank - Seattle 1/		$1,417,721	32.0	$1,264,188	31.8	$ 795,157	32.5
National Bank of Commerce - Seattle		843,878	19.0	771,362	19.4	451,487	18.5
Peoples National Bank of Washington - Seattle 2/		322,787	7.3	297,358	7.5	172,108	7.0
National Bank of Washington - Tacoma		280,109	6.3	245,222	6.2	172,706	7.1
Washington Bancshares, Inc. - Spokane		262,049	5.9	236,048	5.9	143,729	5.9
Old National Bank of Washington - Spokane		226,890	5.2	206,056	5.2	127,883	5.2
First National Bank in Spokane		33,159	0.7	29,990	0.8	15,846	0.6
Sub Total: 5 Largest Banking Organizations	(6)	3,126,544	70.5	2,814,178	70.9	1,735,187	70.9
Pacific National Bank of Seattle		224,050	5.1	195,467	4.9	100,604	4.1
Bank of California - Seattle and Tacoma		183,752	4.1	158,986	4.0	133,005	5.4
Puget Sound National Bank - Tacoma		146,982	3.3	130,613	3.3	96,634	3.9
Seattle Trust and Savings Bank		102,281	2.3	94,485	2.4	50,976	2.1
Washington Trust Bank - Spokane		67,955	1.5	59,071	1.5	35,586	1.5
Sub Total: 10 Largest Banking Organizations	(11)	3,851,564	86.8	3,452,802	87.0	2,151,992	88.0
Everett Trust and Savings Bank - Everett		42,009	0.9	37,979	1.0	24,193	1.0
Baker-Boyer National Bank of Walla Walla		33,748	0.8	30,600	0.8	14,972	0.6
First Independent Bank - Vancouver		28,569	0.6	24,395	0.6	16,914	0.7
Bellingham National Bank - Bellingham		23,517	0.6	22,636	0.6	10,353	0.4
Other Banks with $20 Million or more deposits	(4)	129,843	2.9	115,610	2.9	66,432	2.7
Sub Total: 14 Bank Organizations with $20 Million or more deposits	(15)	3,981,407	89.8	3,568,412	89.9	2,218,424	90.7
All other Commercial Bank Organizations	(85)	454,068	10.2	400,852	10.1	228,352	9.3
Total: 99 Bank Organizations in Washington	(100)	$4,435,475	100.0	$3,969,264	100.0	$2,446,776	100.0

1/ Acquired Citizens State Bank of Arlington 1-22-65.

2/ Acquired Central Bank National Assoc., Tacoma 7-28-65.

Note: Due to rounding figures may not add to totals.

SOURCES: Polk's Bank Directory; FDIC Changes Among Operating Banks and Branches and letters from Bank of California dated September 7 and 19, 1972.

GX A-9

TOTAL DEPOSITS OF THE TEN LARGEST COMMERCIAL BANK ORGANIZATIONS
IN WASHINGTON AS OF 12-31-64

Rank	Bank Organizations	Total Deposits 000's	Percent of Total
1	Seattle-First National Bank-Seattle	$1,203,398	33.2%
2	National Bank of Commerce-Seattle	676,558	18.7
3	Peoples National Bank-Seattle	271,562	7.5
4	National Bank of Washington-Tacoma	228,322	6.3
5	Washington Bancshares, Inc.-Spokane	225,602	6.2
	Old National Bank of Washington-Spokane	195,774	5.4
	First National Bank of Spokane	29,828	0.8
6	Pacific National Bank of Seattle	176,180	4.9
7	Bank of California-Seattle and Tacoma	141,379	3.9
8	Puget Sound National Bank-Tacoma	117,053	3.2
9	Seattle Trust and Savings Bank-Seattle	83,999	2.3
10	Washington Trust Bank-Spokane	52,989	1.5
	Ten Largest Banking Organizations	$3,177,042	87.7
	Total Deposits for State of Washington	$3,623,870	100.0%

SOURCE: Polk's Bank Directory and letter from Bank of California dated September 7, 1972.

GX A-10

TOTAL DEPOSITS OF THE TEN LARGEST COMMERCIAL BANK ORGANIZATIONS
IN WASHINGTON AS OF 12-31-63

Rank	Bank Organizations	Total Deposits 000's	Percent of Total
1	Seattle-First National Bank-Seattle	$1,125,422	33.2%
2	National Bank of Commerce-Seattle	627,367	18.5
3	Peoples National Bank-Seattle	255,545	7.5
4	National Bank of Washington-Tacoma	206,069	6.1
5	Washington Bancshares, Inc.-Spokane	194,039	5.7
	Old National Bank of Washington-Spokane	167,951	5.0
	First National Bank of Spokane	25,088	0.7
6	Pacific National Bank of Seattle	170,321	5.0
7	Bank of California-Seattle and Tacoma	130,586	3.9
8	Puget Sound National Bank-Tacoma	110,825	3.3
9	Seattle Trust and Savings Bank-Seattle	83,775	2.5
10	Washington Trust Bank-Spokane	48,213	1.4
	Ten Largest Banking Organizations	$2,954,162	87.2
	Total Deposits for State of Washington	$3,388,468	100.0%

SOURCE: Polk's Bank Directory and letter from Bank of California dated September 7, 1972.

GX A-11

TOTAL DEPOSITS OF THE TEN LARGEST COMMERCIAL BANK ORGANIZATIONS
IN WASHINGTON AS OF 12-31-62

Rank	Bank Organizations	Total Deposits 000's	Percent of Total
1	Seattle-First National Bank-Seattle	$1,117,227	33.8%
2	National Bank of Commerce-Seattle	619,093	18.7
3	Peoples National Bank-Seattle	251,795	7.6
4	National Bank of Washington-Tacoma	202,666	6.1
5	Washington Bancshares, Inc.-Spokane	185,964	5.6
	Old National Bank of Washington-Spokane	139,417	4.2
	First National Bank of Spokane	46,547	1.4
6	Pacific National Bank of Seattle	181,622	5.5
7	Bank of California-Seattle and Tacoma	123,342	3.7
8	Puget Sound National Bank-Tacoma	104,931	3.2
9	Seattle Trust and Savings Bank-Seattle	79,225	2.4
10	Washington Trust Bank-Spokane	45,512	1.4
	Ten Largest Banking Organizations	$2,911,382	88.1
	Total Deposits for State of Washington	$3,303,375	100.0%

SOURCE: Polk's Bank Directory and letter from Bank of California dated September 7, 1972.

GX A-12

TOTAL DEPOSITS OF THE TEN LARGEST COMMERCIAL BANK ORGANIZATIONS
IN WASHINGTON AS OF 12-31-61

Rank	Bank Organizations	Total Deposits 000's	Percent of Total
1	Seattle-First National Bank 1/	$1,055,741	34.6%
2	National Bank of Commerce-Seattle	570,806	18.7
3	Peoples National Bank-Seattle	231,820	7.6
4	National Bank of Washington-Tacoma	182,672	6.0
5	Washington Bancshares, Inc.-Spokane	178,171	5.8
	Old National Bank of Washington-Spokane	151,536	5.0
	First National Bank of Spokane	26,635	0.9
6	Pacific National Bank of Seattle	165,975	5.4
7	Bank of California-Seattle and Tacoma	113,028	3.7
8	Puget Sound National Bank-Tacoma	87,812	2.9
9	Seattle Trust and Savings Bank-Seattle	71,007	2.3
10	Washington Trust Bank-Spokane	45,026	1.5
	Ten Largest Banking Organizations	$2,702,058	88.5
	Total Deposits for State of Washington	$3,051,514	100.0%

1/ First National Bank of Everett merged with Seattle-First National Bank 11-16-61.

SOURCE: Polk's Bank Directory and letter from Bank of California dated September 7, 1972.

GX A-13

ASSETS, TOTAL DEPOSITS AND LOANS OF COMMERCIAL BANK ORGANIZATIONS IN WASHINGTON AS OF 12-31-1960

Bank Organizations	No. of Banks ( )	Assets 000's	Percent of Total	Total Deposits 000's	Percent of Total	Loans 000's	Percent of Total
Seattle - First National Bank - Seattle 1/		$1,024,290	32.5	$ 918,565	32.4	$ 521,612	33.9
National Bank of Commerce - Seattle		585,993	18.6	538,608	19.0	279,466	18.2
Peoples National Bank of Washington - Seattle 2/		229,833	7.3	210,292	7.4	105,743	6.9
Washington Bancshares, Inc. - Spokane		190,712	6.1	174,051	6.1	88,804	5.8
Old National Bank of Spokane		161,818	5.1	147,819	5.2	75,491	4.9
First National Bank in Spokane		28,894	0.9	26,232	0.9	13,313	0.9
National Bank of Washington - Tacoma		190,666	6.1	169,020	6.0	104,215	6.8
Sub Total: 5 Largest Banking Organizations	(6)	2,221,494	70.5	2,010,537	70.8	1,099,845	71.5
Pacific National Bank of Seattle		160,425	5.1	143,559	5.1	70,965	4.6
Bank of California - Seattle and Tacoma		120,870	3.8	103,358	3.6	81,112	5.3
Puget Sound National Bank - Tacoma		92,559	2.9	81,712	2.9	52,418	3.4
Seattle Trust and Savings Bank		67,179	2.1	62,130	2.2	27,601	1.8
First National Bank of Everett 3/		68,414	2.2	60,985	2.1	33,792	2.2
Sub Total: 10 Largest Banking Organizations	(11)	2,730,941	86.7	2,462,781	86.7	1,365,731	88.8
Washington Trust Bank - Spokane		52,437	1.7	46,711	1.6	21,778	1.4
Baker-Boyer National Bank of Walla Walla		28,907	0.9	26,863	0.9	12,947	0.8
Everett Trust and Savings Bank - Everett		24,495	0.8	21,793	0.8	11,615	0.8
Bellingham National Bank - Bellingham		22,004	0.7	20,105	0.7	7,732	0.5
Other Banks with $20 Million or more deposits	(4)	128,843	4.1	115,477	4.1	54,072	3.5
Sub Total: 14 Bank Organizations with $20 Million or more deposits	(15)	2,859,784	90.8	2,577,758	90.8	1,419,803	92.3
All other Commercial Bank Organizations	(72)	291,030	9.2	260,703	9.2	118,527	7.7
Total: 86 Bank Organizations in Washington	(87)	$3,150,814	100.0	$2,838,461	100.0	$1,538,330	100.0

1/ Acquired State Bank of Republic 3-14-60.

2/ Acquired Citizens Bank of Kirkland 12-22-60.

3/ Acquired by Seattle-First National Bank 11-16-61.

Note: Due to rounding figures may not add to totals.

SOURCES: Polk's Bank Directory; FDIC Changes Among Operating Banks and Branches and letters from Bank of California dated September 7 and 19, 1972.

GX A-14

CHANGE IN TOTAL DEPOSITS OF COMMERCIAL BANKING ORGANIZATIONS IN COUNTIES EAST OF THE CASCADES AND STATE OF WASHINGTON
1960 - 1966 - 1968 - 1970 - 1972

(dollars in thousands)

County	June 15 1960	June 30 1966	June 29 1968	June 30 1970	June 30 1972	Percentage Increase/Decrease 60-72	66-72	68-72	70-72
Adams	$ 16,661	$ 21,334	$ 24,057	$ 26,006	$ 34,236	106.1	60.5	42.3	31.6
Asotin	6,735	13,626	19,127	22,295	29,222	333.9	114.4	52.8	31.1
Benton	37,551	57,412	66,425	69,571	94,083	150.5	63.9	41.7	35.2
Chelan	43,323	59,365	70,584	78,187	90,533	109.0	52.5	28.3	15.8
Columbia	6,593	9,438	11,061	10,777	13,965	111.8	47.2	26.9	29.6
Douglas	7,268	12,187	16,285	17,599	24,640	240.0	102.3	51.3	40.0
Ferry	1,936	2.156	2,614	2,802	3,824	97.5	77.4	46.3	36.5
Franklin	16,557	26,516	30,345	35,005	44,417	168.3	67.5	46.4	26.9
Garfield	5,905	7,777	9,037	9,502	11,519	95.1	48.1	27.6	21.2
Grant	25,303	40,785	49,172	52,162	67,604	167.1	65.6	37.5	29.6
Kittitas	19,801	33,594	37,832	44,006	49,615	150.6	47.7	31.2	12.7
Klickitat	7,837	12,331	14,991	18,003	25,772	228.9	109.0	71.9	43.2
Lincoln	23,648	26,412	33,154	31,932	39,135	65.5	48.2	18.0	22.6
Okanogan	22,122	37,609	41,443	43,909	50,840	129.7	35.2	22.6	15.8
Pend Oreille	5,363	7,456	8,204	9,467	11,827	120.5	58.6	44.2	24.9
Spokane	291,818	373,876	448,326	464,283	541,868	85.7	44.9	20.9	16.7
Stevens	10,715	18,437	22,515	26,131	34,445	221.5	86.8	53.0	31.8
Walla Walla	43,556	56.110	67,960	68,307	85,391	96.0	52.2	27.3	25.0
Whitman	49,707	63,098	74,277	73,154	83,314	67.6	32.0	12.2	13.9
Yakima	101,724	146,346	176,544	182,181	225,822	121.8	54.3	27.9	24.0
East of the Cascades	$ 744,200	$1,025,917	$1,222,893	$1,289,205	$1,597,192	109.6	52.3	27.7	23.9
State of Washington	$3,162,334	$4,175,123	$4,642,720	$5,247,118	$6,481,070	104.9	55.2	33.8	23.5

SOURCES: Distribution of Bank Deposits by Counties and SMSA, June 15, 1960, Federal Reserve System; FDIC Summary of Accounts and Deposits In All Commercial Banks, June 30, 1966 and 1968; FDIC Summary of Deposits, June 30, 1970 and 1972.

GX A-15

CHANGE IN TOTAL DEPOSITS OF COMMERCIAL BANKING ORGANIZATIONS IN COUNTIES EAST OF THE CASCADES AND STATE OF WASHINGTON

1960 - 1966 - 1968 - 1970 - 1972

(dollars in thousands)

1960 = 100

County	June 15 1960	June 30 1966	% Inc.	June 29 1968	% Inc.	June 30 1970	% Inc.	June 30 1972	% Inc.
Adams	$ 16,661	$ 21,334	128.0	$ 24,057	144.4	$ 26,006	156.1	$ 34,336	206.09
Asotin	6,735	13,626	202.3	19,127	284.0	22,295	331.0	29,222	433.88
Benton	37,561	57,414	152.9	66,405	176.8	69,571	185.2	94,063	250.46
Chelan	43,323	59,365	137.0	70,584	162.9	78,187	180.5	90,533	208.97
Columbia	6,595	9,488	143.9	11,001	166.8	10,772	163.3	13,965	211.75
Douglas	7,248	12,187	163.1	16,285	226.7	17,599	242.8	24,640	339.96
Ferry	1,936	2,156	111.4	2,614	135.0	2,802	144.7	3,824	197.52
Franklin	16,557	26,516	160.1	30,345	183.3	35,005	211.4	44,417	268.27
Garfield	5,905	7,777	131.7	9,097	154.1	9,502	160.9	11,519	195.07
Grant	25,308	40,785	161.2	49,172	194.3	53,162	210.1	67,604	267.13
Kittitas	19,801	33,594	169.7	37,802	190.9	44,006	222.2	49,615	250.57
Klickitat	7,837	12,331	157.3	14,991	191.3	18,003	229.7	25,772	328.85
Lincoln	23,648	26,412	111.7	33,154	140.2	31,932	135.0	39,135	165.49
Okanogan	22,132	37,609	169.9	41,463	187.3	43,900	198.4	50,840	229.71
Pend Oreille	5,363	7,456	139.0	8,204	153.0	9,467	176.5	11,827	220.53
Spokane	291,818	373,876	128.1	448,386	153.7	464,283	159.1	541,888	185.69
Stevens	10,715	18,437	172.1	22,515	210.1	26,131	243.9	34,445	321.47
Walla Walla	43,556	56,110	128.8	67,050	154.0	68,307	156.8	85,391	196.05
Whitman	49,707	63,098	126.9	74,277	149.4	73,154	147.2	83,314	167.61
Yakima	101,794	146,345	143.8	176,344	173.2	182,181	179.0	225,822	221.84
Eastern Washington	$ 744,200	$1,025,917	137.9	$1,222,883	164.3	$1,286,265	172.8	$1,562,192	209.92
State of Washington	$3,162,334	$4,175,123	132.0	$4,842,720	153.1	$5,247,118	165.9	$6,481,070	204.95

SOURCES: Distribution of Bank Deposits by Counties and SMSA, June 15, 1960, Federal Reserve System; FDIC Summary of Accounts and Deposits in All Commercial Bank, June 30, 1966 and 1968; FDIC Summary of Deposits, June 30, 1970 and 1972.

GX A-16

NUMBER OF OFFICES AND TOTAL DEPOSITS HELD BY THE 2 LARGEST, 5 LARGEST, 10 LARGEST AND REMAINING BANKING ORGANIZATIONS OF THE STATE OF WASHINGTON IN THE STATE OF WASHINGTON

JUNE 30, 1970

Bank Organizations	No. of Offices	Percent Of Total	Deposits 000's	Percent Of Total	Rank in State
Seattle-First National Bank-Seattle	139	22.13	$1,640,231	31.26	1
National Bank of Commerce of Seattle	98	15.61	1,030,801	19.65	2
TOTAL 2 LARGEST BANKING ORGANIZATIONS	237	37.74	$2,671,032	50.90	
Pacific National Bank of Washington - Seattle 1/	60	9.55	565,574	10.78	3
Peoples National Bank of Washington - Seattle 2/	49	7.80	366,659	6.99	4
Washington Bancshares, Inc. - Spokane	45	7.17	299,569	5.71	5
Old National Bank of Washington - Spokane	40	6.37	264,879	5.05	
First National Bank of Spokane	5	.80	34,690	.66	
TOTAL 5 LARGEST BANKING ORGANIZATIONS	391	62.26	$3,902,834	74.38	
Bank of California - Seattle and Tacoma	2	.32	177,432	3.38	6
Puget Sound National Bank - Tacoma	24	3.82	176,727	3.37	7
Seattle Trust and Savings - Seattle	22	3.50	139,897	2.67	8
Washington Trust Bank - Spokane	8	1.27	75,990	1.45	9
Everett Trust and Savings Bank	12	1.91	56,006	1.07	10
TOTAL 10 LARGEST BANKING ORGANIZATIONS	459	73.09	$4,528,886	86.31	
22 Remaining Banking Organizations	169	26.91	718,232	13.69	
32 Banking Organizations	628	100.00	$5,247,118	100.00	

Note: Due to rounding figures may not add to totals.

1/ National Bank of Washington, Tacoma merged with Pacific National Bank of Seattle 8-17-70, under title Pacific National Bank of Washington head office changed from Tacoma to Seattle.

2/ Acquired Langley State Bank 7-6-70 (Deposits as of June 30, 1970, $3,432,000).

SOURCE: FDIC Summary of Deposits, June 30, 1970.

GX A-17

TOTAL DEPOSITS HELD BY THE 2 LARGEST, 5 LARGEST, 10 LARGEST AND REMAINING COMMERCIAL BANKING ORGANIZATIONS OF THE STATE OF WASHINGTON IN THE STATE OF WASHINGTON
JUNE 30, 1972

Bank Organizations	No. of Offices	Percent of Total	Deposits 000's	Percent of Total	Rank in State
Seattle-First National Bank - Seattle	144	20.96	$2,054,951	31.71%	1
National Bank of Commerce of Seattle	107	15.57	1,268,132	19.57	2
TOTAL 2 LARGEST BANKING ORGANIZATIONS	251	36.54	3,323,083	51.27	
Pacific National Bank of Washington - Seattle	64	9.32	650,342	10.03	3
Peoples National Bank of Washington - Seattle	55	8.01	468,063	7.22	4
Washington Bancshares, Inc. - Spokane	51	7.42	372,739	5.75	5
Old National Bank of Washington - Spokane	46	6.70	334,188	5.16	
First National Bank in Spokane	5	.73	38,551	.59	
TOTAL 5 LARGEST BANKING ORGANIZATIONS	421	61.28	$4,814,227	74.28	
Puget Sound National Bank - Tacoma	29	4.22	227,429	3.51	6
Bank of California - Seattle and Tacoma	2	.29	199,878	3.08	7
Seattle Trust and Savings Bank - Seattle	26	3.78	172,801	2.67	8
Washington Trust Bank - Spokane	8	1.16	96,518	1.49	9
Everett Trust and Savings Bank	13	1.89	91,034	1.40	10
TOTAL 10 LARGEST BANKING ORGANIZATIONS	499	72.63	$5,601,887	86.43	
81 REMAINING BANKING ORGANIZATIONS	188	27.37	$ 879,183	13.57	
91 BANKING ORGANIZATIONS	687	100.00	$6,481,070	100.00	

Note: Due to rounding figures may not add to totals.

SOURCES: FDIC Summary of Deposits, June 30, 1972.

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NUMBER OF OFFICES AND TOTAL DEPOSITS HELD BY THE 2 LARGEST, 5 LARGEST, 10 LARGEST AND REMAINING BANKING ORGANIZATIONS OF THE STATE OF WASHINGTON IN EASTERN WASHINGTON

JUNE 30, 1970

Bank Organizations	No. of Offices	Percent Of Total	Deposits 000's	Percent Of Total	Rank in State
Seattle - First National Bank - Seattle	37	19.79	$ 409,181	31.81	1
Washington Bancshares, Inc.	45	24.06	299,569	23.29	5
Old National Bank of Washington - Spokane	40	21.39	264,879	20.59	
First National Bank of Spokane	5	2.67	34,690	2.70	
TOTAL 2 LARGEST BANKING ORGANIZATIONS	82	43.85	$ 708,750	55.10	
National Bank of Commerce of Seattle	30	16.04	234,127	18.20	2
Washington Trust Bank - Spokane	8	4.28	75,990	5.91	9
Pacific National Bank of Washington - Seattle 1/	9	4.81	70,840	5.51	3
TOTAL 5 LARGEST BANKING ORGANIZATIONS	129	68.98	$1,089,707	84.72	
Peoples National Bank of Washington - Seattle 2/	12	6.42	31,861	2.48	4
Seattle Trust and Savings - Seattle	2	1.07	5,219	.41	8
Bank of California - Seattle and Tacoma	-		-		6
Puget Sound National Bank - Tacoma	-		-		7
Everett Trust and Savings Bank - Everett	-		-		10
TOTAL 10 LARGEST BANKING ORGANIZATIONS	143	76.47	$1,126,787	87.60	
22 Remaining Banking Organizations	44	23.53	159,478	12.40	
32 Banking Organizations	187	100.00	$1,286,265	100.00	

Note: Due to rounding figures may not add to totals.

1/ National Bank of Washington, Tacoma merged with Pacific National Bank of Seattle 8-17-70, under title Pacific National Bank of Washington head office changed from Tacoma to Seattle.

2/ Acquired Langley State Bank 7-6-70 (Deposits as of June 30, 1970, $3,432,000).

SOURCE: FDIC Summary of Deposits, June 30, 1970.

NUMBER OF OFFICES AND TOTAL DEPOSITS HELD BY THE 2 LARGEST, 5 LARGEST, 10 LARGEST AND REMAINING BANKING ORGANIZATIONS OF THE STATE OF WASHINGTON IN EASTERN WASHINGTON

JUNE 30, 1972

Bank Organizations	No. of Offices	Percent Of Total	Deposits 000's	Percent Of Total	Rank in State
Seattle - First National Bank - Seattle	37	18.97%	$ 487,443	31.20%	1
Washington Bancshares, Inc.	49	25.13	355,880	22.78	5
Old National Bank of Washington - Spokane	44	22.56	317,329	20.31	
First National Bank of Spokane	5	2.56	38,551	2.47	
TOTAL 2 LARGEST BANKING ORGANIZATIONS	86	44.10	$ 843,323	53.9%	
National Bank of Commerce of Seattle	31	15.90	302,867	19.39	2
Washington Trust Bank - Spokane	8	4.10	96,518	6.18	9
Pacific National Bank of Washington - Seattle	9	4.62	69,010	4.42	3
TOTAL 5 LARGEST BANKING ORGANIZATIONS	134	68.72	$1,311,718	83.97	
Peoples National Bank of Washington - Seattle	12	6.15	40,578	2.60	4
Seattle Trust and Savings - Seattle	2	1.03	5,597	.36	8
Bank of California - Seattle and Tacoma	-	-	-	-	7
Puget Sound National Bank - Tacoma	-	-	-	-	6
Everett Trust and Savings Bank - Everett	-	-	-	-	10
TOTAL 10 LARGEST BANKING ORGANIZATIONS	148	75.90	$1,357,893	86.92	
21 Remaining Banking Organizations	47	24.10	204,299	13.08	
31 Banking Organizations	195	100.00%	$1,562,192	100.00%	

Note: Due to rounding figures may not add to totals.

SOURCE: FDIC Summary of Deposits, June 30, 1972.

NUMBER OF OFFICES AND TOTAL DEPOSITS HELD BY 15 LARGEST BANKING ORGANIZATIONS OF THE STATE OF WASHINGTON IN COUNTIES EAST AND WEST OF THE CASCADES

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JUNE 30, 1970

Banking Organizations	Eastern Washington (Counties East of the Cascades) Number of Offices	Total Deposits 000's	Percent of Total	Western Washington (Counties West of the Cascades) Number of Offices	Total Deposits 000's	Percent of Total	All Counties Number of Offices	Total Deposits 000's	Percent of Total
Seattle-First National Bank - Seattle	37	$ 409,181	31.81	102	$1,231,050	31.08	139	$1,640,231	31.26
National Bank of Commerce of Seattle	30	234,127	18.20	68	796,674	20.11	98	1,030,801	19.65
TOTAL 2 LARGEST BANKING ORGANIZATIONS	67	643,308	50.01	170	2,027,724	51.19	237	2,671,032	50.90
Pacific National Bank of Washington - Seattle 1/	9	70,840	5.51	51	494,734	12.49	60	565,574	10.78
Peoples National Bank of Washington - Seattle 2/	12	31,861	2.48	37	334,798	8.45	49	366,659	6.99
Washington Bancshares, Inc. - Spokane	45	299,569	23.29	-	-	-	45	299,569	5.71
Old National Bank of Washington - Spokane	40	264,879	20.59	-	-	-	40	264,879	5.05
First National Bank of Spokane	5	34,690	2.70	-	-	-	5	34,690	.66
TOTAL 5 LARGEST BANKING ORGANIZATIONS	133	$1,045,578	81.29	258	$2,857,256	72.14	391	$3,902,834	74.38
Bank of California - Seattle and Tacoma	-	-	-	2	177,432	4.48	2	177,432	3.38
Puget Sound National Bank - Tacoma	-	-	-	24	176,727	4.46	24	176,727	3.37
Seattle Trust and Savings - Seattle	2	5,219	.41	20	134,678	3.40	22	139,897	2.67
Washington Trust Bank - Spokane	8	75,990	5.91	-	-	-	8	75,990	1.45
Everett Trust and Savings Bank - Everett	-	-	-	12	96,006	1.41	12	96,006	1.07
TOTAL 10 LARGEST BANKING ORGANIZATIONS	143	$1,126,787	87.60	316	$3,402,099	85.89	459	$4,528,886	86.31
First Independent Bank - Vancouver	-	-	-	8	47,679	1.20	8	47,679	.91
Baker-Boyer National Bank of Walla Walla	2	36,649	2.85	-	-	-	2	36,649	.70
Bank of the West - Bellevue	-	-	-	8	29,338	.74	8	29,338	.56
Bank of Yakima - Yakima	9	28,327	2.20	-	-	-	9	28,327	.54
Bellingham National Bank	-	-	-	5	27,224	.69	5	27,224	.52
TOTAL 15 LARGEST BANKING ORGANIZATIONS	154	$1,191,763	92.65	337	$3,506,340	88.52	491	$4,698,103	89.54
73 Remaining Banking Organizations	33	94,502	7.35	104	454,513	11.48	137	549,015	10.46
88 Banking Organizations	187	$1,286,265	100.00	441	$3,960,853	100.00	628	$5,247,118	100.00

1/ National Bank of Washington, Tacoma merged with Pacific National Bank of Seattle 8-17-70, under title Pacific National Bank of Washington, head office changed from Tacoma to Seattle.

2/ Acquired Langley State Bank 7-6-70 (Deposits as of June 30th, 1970, $3,432,000).

SOURCE: FDIC Summary of Deposits, June 30, 1970.

NUMBER OF OFFICES AND TOTAL DEPOSITS HELD BY 15 LARGEST BANKING ORGANIZATIONS OF THE STATE OF WASHINGTON IN COUNTIES EAST AND WEST OF THE CASCADES

JUNE 30, 1972

Banking Organizations	Eastern Washington (Counties East of the Cascades) Number of Offices	Total Deposits 000's	Percent of Total	Western Washington (Counties West of the Cascades) Number of Offices	Total Deposits 000's	Percent of Total	All Counties Number of Offices	Total Deposits 000's	Percent of Total
Seattle-First National Bank - Seattle	37	$ 487,643	31.20	107	$1,567,308	31.87	144	$2,054,951	31.71
National Bank of Commerce of Seattle	31	302,867	19.39	76	965,265	19.62	107	1,268,132	19.57
TOTAL 2 LARGEST BANKING ORGANIZATIONS	68	$ 790,310	50.59	183	$2,532,773	51.49	251	$3,323,083	51.27
Pacific National Bank of Washington - Seattle	9	69,010	4.42	55	581,332	11.82	64	650,342	10.03
Peoples National Bank of Washington - Seattle	12	40,578	2.60	43	427,485	8.69	55	468,063	7.22
Washington Bancshares, Inc. - Spokane	49	255,892	22.78	2	16,859	.34	51	272,732	5.71
Old National Bank of Washington	44	317,329	20.31	2	16,859	.34	46	334,188	5.16
First National Bank of Spokane	5	38,551	2.47	-	-	-	5	38,551	.59
TOTAL 5 LARGEST BANKING ORGANIZATIONS	138	$1,255,778	80.39	283	$3,558,449	72.34	421	$4,814,227	74.26
Puget Sound National Bank - Tacoma	-	-	-	29	227,429	4.62	29	227,429	3.51
Bank of California - Seattle and Tacoma	-	-	-	2	199,878	4.06	2	199,878	3.08
Seattle Trust and Savings Bank - Seattle	2	5,597	.36	24	167,204	3.40	26	172,801	2.67
Washington Trust Bank - Spokane	8	96,518	6.18	-	-	-	8	96,518	1.49
Everett Trust and Savings Bank - Everett	-	-	-	13	91,034	1.85	13	91,034	1.40
TOTAL 10 LARGEST BANKING ORGANIZATIONS	148	$1,357,893	86.92	351	$4,243,994	86.25	499	$5,601,887	86.42
First Independent Bank - Vancouver	-	-	-	9	65,381	1.33	9	65,381	1.01
Baker-Boyer National Bank of Walla Walla	2	42,771	2.74	-	-	-	2	42,771	.66
Bank of Cowlitz County - Longview	-	-	-	5	33,363	.68	5	33,363	.51
Bank of the West - Bellevue	-	-	-	9	37,657	.77	9	37,657	.58
Bank of Yakima - Yakima	9	37,305	2.39	1	4,544	.09	10	41,849	.65
TOTAL 15 LARGEST BANKING ORGANIZATIONS	159	$1,437,969	92.05	375	$4,384,929	89.15	534	$5,822,908	89.84
75 Remaining Banking Organizations	36	124,223	7.95	117	533,939	10.85	153	658,162	10.16
90 Banking Organizations	195	$1,562,192	100.00	492	$4,918,878	100.00	687	$6,481,070	100.00

Note: Due to rounding figures may not add to totals.

SOURCE: FDIC Summary of Deposits, June 30, 1972

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State of Washington

Deposits Held by the Banks in Counties East of the Cascades
as of June 30, 1970

County / Bank	No. of Branches	Total Offices (Bank and Branches)	Total Deposits $ 000's	Percent of County Deposits
Adams County				
National Bank of Commerce of Seattle	1	1	$ 8,636	33.21%
Old National Bank of Washington	2	2	8,620	33.15
Peoples NB of Washington	2	2	5,643	21.70
Seattle First National Bank	1	1	3,107	11.95
Total 4 Banks	6	6	26,006	100.00
Asotin County				
National Bank of Commerce of Seattle	2	2	16,060	72.02
Valley Commercial Bank	-	1	6,235	27.97
Total 2 Banks	2	3	22,295	100.00
Benton County				
NB of Commerce of Seattle	2	2	25,165	36.17
Seattle First National Bank	2	2	24,389	35.06
Old NB of Washington	4	4	14,541	20.90
Bank of Yakima	1	1	3,852	5.54
Columbia Center National Bank	-	1	1,624	2.33
Total 5 Banks	9	10	69,571	100.00
Chelan County				
Seattle First National Bank	4	4	48,271	61.74
National Bank of Commerce of Seattle	1	1	18,303	23.03
Cashmere Valley Bank	-	1	6,725	8.60
Central Washington Bank	2	3	5,186	6.63
Total 4 Banks	7	9	78,187	100.00
Columbia County				
National Bank of Commerce of Seattle	1	1	5,597	51.96
Seattle First NB	1	1	5,175	48.04
Total 2 Banks	2	2	10,772	100.00
Douglas County				
NB of Commerce of Seattle	1	1	7,725	43.89
Security Bank of Washington	2	2	5,878	33.40
Seattle First NB	1	1	3,996	22.71
Total 3 Banks	4	4	17,599	100.00
Ferry County				
Seattle First NB	1	1	2,802	100.00
Total 1 Bank	1	1	2,802	100.00

State of Washington

Deposits Held the Banks in Counties East of the Cascades as of June 30, 1970

County / Bank	No. of Branches	Total Offices Bank and Branches	Total Deposits $ 000's	Percent of County Deposits
Franklin County				
Seattle First NB	2	2	$ 22,264	63.60%
Peoples National Bank of Washington	2	2	6,423	18.35
Old National Bank of Washington	2	2	6,318	18.05
Total 3 Banks	6	6	35,005	100.00
Garfield County				
Old National Bank of Washington	1	1	6,163	64.86
National Bank of Commerce of Seattle	1	1	3,339	35.14
Total 2 Banks	2	2	9,502	100.00
Grant County				
Peoples NB of Washington	8	8	19,795	37.24
Seattle First NB	1	1	11,262	21.18
National Bank of Commerce of Seattle	3	3	12,161	22.88
Security Bank of Washington	2	3	9,944	18.71
Total 4 Banks	14	15	53,162	100.00
Kittitas County				
Pacific National Bank of Washington	2	2	15,415	35.03
National Bank of Commerce of Seattle	1	1	14,738	33.49
Seattle First NB	1	1	5,342	12.14
Seattle Trust & Savings Bank	2	2	5,219	11.86
Ellensburg State Bank	-	1	3,292	7.48
Total 5 Banks	6	7	44,006	100.00
Klickitat County				
National Bank of Commerce of Seattle	2	2	14,550	80.83
Klickitat Valley Bank	-	1	2,686	14.92
Columbia Gorge Bank	1	1	767	4.26
Total 3 Banks	3	4	18,003	100.00
Lincoln County				
Old NB of Washington	4	4	15,219	47.66
NB of Commerce of Seattle	2	2	10,972	34.36
Seattle-First NB	1	1	5,741	17.98
Total 3 Banks	7	7	31,932	100.00
Okanogan County				
Seattle-First NB	2	2	15,998	3,644
First NB of Tonasket	-	1	8,706	19.83
NB of Commerce of Seattle	1	1	6,463	14.72
Oroville State Bank	-	1	6,171	14.06
Old NB of Washington	2	2	4,554	10.37
Farmers State Bank	-	1	1,586	3.61
Mid Valley Bank	-	1	422	.96
Total 7 Banks	5	9	43,900	100.00

State of Washington

Deposits Held by the Banks in Counties East of the Cascades as of June 30,1970

County	Bank	No. of Branches	Total Offices Bank and Branches	Total Deposits $00's	Percent of County Deposits
Pend Oreille County					
	NB of Commerce of Seattle	1	1	$ 7,726	81.61%
	Ione State Bank	-	1	1,741	18.39
	Total 2 Banks	1	2	9,467	100.00
Spokane County					
	Old National Bank of Washington	14	15	155,578	33.50
	First National Bank of Spokane	4	5	34,690	7.47
	Seattle First NB	8	8	146,399	31.53
	Washington Trust Bank	7	8	75,990	16.37
	Pacific NB of Washington	2	2	19,697	4.24
	Farmers & Merchants Bank of Rockford	2	3	10,218	2.20
	American Comercial Bank	2	3	8,832	1.90
	NB of Commerce of Seattle	2	2	6,397	1.41
	Bank of Fairfield	-	1	3,470	.75
	Bank of Latah	-	1	1,072	.23
	Total 10 Banks	41	48	464,183	100.00
Stevens County					
	Seattle-First NB	2	2	15,272	58.44
	NB of Commerce of Seattle	2	2	10,859	41.56
	Total 2 Banks	4	4	26,131	100.00
Walla Walla County					
	Baker-Boyer NB of Walla Walla	1	2	36,649	33.65
	Seattle First NB	1	1	19,704	28.85
	National Bank of Commerce of Seattle	2	2	7,951	11.64
	Old National Bank of Washington	1	1	4,083	5.86
	Total 4 Banks	5	6	68,387	100.00
Whitman County					
	Old National Bank of Washington	6	6	33,562	45.88
	Seattle First National Bank	5	5	30,208	41.29
	State NB of Garfield	-	1	2,894	3.96
	NB of Commerce of Seattle	1	1	2,784	3.81
	Lamont Bank of St. John	-	1	1,931	2.64
	Farmers State Bank of Uniontown	-	1	1,333	1.82
	Farmington State Bank	-	1	442	.60
	Total 7 Banks	12	16	73,154	100.00
Yakima County					
	NB of Commerce of Seattle	4	4	52,999	29.09
	Seattle-First National Bank	4	4	49,261	27.04
	Pacific NB of Washington	5	5	35,728	19.61
	Bank of Yakima	7	8	24,475	13.43
	Old NB of Washington	3	3	16,371	8.99
	Central Valley Bank	1	2	3,347	1.84
	Total 6 Banks	24	26	182,181	100.00
20 Counties	33 Banks	101	187	$1,286,265	

Source: FDIC Summary of Deposits, dated June 30, 1970.

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State of Washington

Total Deposits Held By The Commercial Banks In Counties East Of The Cascades

As of June 30, 1972

(000's)

County	Bank	No. of Offices	Total Deposits	Percent of County Deposits
Adams				
	National Bank of Commerce	1	$ 11,257	32.78%
	Peoples NB of Washington	2	7,749	22.57
	Seattle First National Bank	1	5,313	15.47
	Washington Bancshares, Inc.			
	Old National Bank of Washington	2	10,017	29.17
	Total 4 Banks	6	$ 34,336	100.00%
Asotin				
	Valley Commercial	1	9,083	31.08
	National Bank of Commerce	2	20,139	68.92
	Total 2 Banks	3	$ 29,222	100.00%
Benton				
	Columbia Center National Bank	1	3,010	3.20
	National Bank of Commerce	2	33,307	35.40
	Seattle First National Bank	2	34,516	36.69
	Washington Bancshares			
	Old National Bank of Washington	4	18,706	19.88
	Bank of Yakima	1	4,544	4.83
	Total 5 Banks	10	$ 94,083	100.00%
Chelan				
	Cashmere	1	8,374	9.25
	National Bank of Commerce	1	23,189	25.61
	Seattle First National Bank	4	50,668	55.97
	Central Washington	4	8,302	9.17
	Total 4 Banks	10	$ 90,533	100.00%
Columbia				
	National Bank of Commerce	1	7,207	51.61
	Seattle First National Bank	1	6,758	48.39
	Total 2 Banks	2	$ 13,965	100.00%
Douglas				
	Security Bank of Washington	2	7,401	30.04
	National Bank of Commerce	1	10,339	41.96
	Seattle First National Bank	1	6,900	28.00
	Total 3 Banks	4	$ 24,640	100.00%
Ferry				
	Seattle First National Bank	1	3,824	100.00%
	Total 1 Bank	1	3,824	100.00%
Franklin				
	Peoples National Bank of Washington	2	6,802	15.31
	Seattle First National Bank	2	29,060	65.43
	Washington Bancshares, Inc.			
	Old National Bank of Washington	2	8,555	19.26
	Total 3 Banks	6	$ 44,417	100.00%

State of Washington

Total Deposits Held By the Commercial Banks in Counties East Of The Cascades

As Of June 30, 1972

(000's)

County	Bank	No. of Offices	Total Deposits	Percent of County Deposits
Garfield				
	National Bank of Commerce	1	$ 5,107	44.34%
	Washington Bancshares			
	Old National Bank of Washington	1	6,412	55.66
	Total 2 Banks	2	$ 11,519	100.00%
Grant				
	Security Bank of Washington	3	12,149	17 97
	Eastern Washington Bank 1/	1	2,592	3.83
	National Bank of Commerce	3	14,547	21.52
	Peoples National Bank of Washington	8	26,027	38.50
	Seattle First National Bank	1	12,289	18.18
	Total 5 Banks	16	67,604	100.00%
Kittitas				
	Ellensburg State	1	5,523	11.13
	National Bank of Commerce	3	16,835	33.93
	Pacific National Bank of Washington	2	16,051	32.43
	Seattle First National Bank	1	5,569	11.22
	Seattle Trust and Savings	2	5,597	11.28
	Total 5 Banks	7	49,615	100.00%
Klickitat				
	Klickitat Valley Bank	1	5,660	21.96
	National Bank of Commerce	2	18,475	71.69
	Columbia Gorge	1	1,637	6.35
	Total 3 Banks	4	$ 25,772	100.00%
Lincoln				
	National Bank of Commerce	2	13,981	35.73
	Seattle First National Bank	1	7,254	18.54
	Washington Bancshares, Inc.			
	Old National Bank of Washington	4	17,900	45.74
	Total 3 Banks	7	$ 39,135	100.00%
Okanogan				
	Mid Valley	1	2,721	5.35
	National Bank of Commerce 2/	2	13,766	27.08
	Seattle First National Bank	2	19,167	37.70
	Washington Bancshares			
	Old National Bank of Washington 3/	3	13,243	26.05
	Forest State Bank	1	1,941	3.82
	Total 9 Banks	9	$ [illegible]	100.00%
Pend Oreille				
	Inez State	1	2,000	14.96
	National Bank of Commerce	1	9,821	83.04
	Total 2 Banks	2	11,877	100.00%

State of Washington

Total Deposits Held By The Commercial Banks In Counties East Of The Cascades

As of June 30, 1972

(000's)

County	Bank	No. of Offices	Total Deposits	Percent of County Deposits
Spokane				
	Bank of Fairfield	1	$ 4,461	.827
	Bank of Latah	1	1,507	.28
	Farmers and Merchants	3	12,543	2.31
	National Bank of Commerce	2	11,774	2.17
	Pacific National Bank of Washington	2	10,342	1.91
	Seattle First National Bank	8	170,549	31.47
	American Commercial	4	15,740	2.90
	Washington Bancshares, Inc.			
	Old National Bank of Washington	18	179,903	33.20
	First National Bank of Spokane	5	38,551	7.11
	Washington Trust	8	96,518	17.81
	Total 10 Banks	52	$541,868	100.00%
Stevens				
	National Bank of Commerce	2	14,443	41.93
	Seattle First National Bank	2	20,002	58.07
	Total 2 Banks	4	34,445	100.00%
Walla Walla				
	National Bank of Commerce	2	10,026	11.74
	Seattle First National Bank	1	25,980	30.42
	Washington Bancshares, Inc.			
	Old National Bank of Spokane	1	6,614	7.75
	Baker-Boyer National Bank of Walla Walla	2	42,771	50.09
	Total 4 Banks	6	85,391	100.00%
Whitman				
	Farmington State	1	507	.61
	State National Bank of Garfield	1	3,551	4.26
	Bank of Pullman &/	1	1,378	1.65
	Lamont Bank of St. John	1	2,485	2.98
	National Bank of Commerce	1	3,072	3.69
	Seattle First National Bank	5	32,630	39.17
	Washington Bancshares, Inc.			
	Old National Bank of Spokane	6	37,810	45.38
	Farmers State Bank of Uniontown	1	1,881	2.26
	Total 8 Banks	17	$ 83,314	100.00%

State of Washington

Total Deposits Held By The Commercial Banks In Counties East Of The Cascades

As of June 30, 1972

(000's)

County	Bank	No. of Offices	Total Deposits	Percent of County Deposits
Yakima				
	National Bank of Commerce	4	$ 65,582	29.04%
	Pacific National Bank of Washington	5	42,577	18.85
	Seattle First National Bank	4	56,964	25.23
	Washington Bancshares, Inc.			
	Old National Bank of Spokane	3	18,167	8.04
	Central Valley	2	5,227	2.31
	Bank of Yakima	9	37,305	16.52
	Total 6 Banks	27	$225,822	100.00%
20 Counties 32 Banks	Eastern Counties	195	$1,562,192	
	State Total	187	$6,481,070	

Note: Due to rounding figures may not add to totals.

1/ Est. 7/7/71 (Polk's).

2/ Merged the Oroville State Bank 3/17/72.

3/ Merged First National Bank of Tonasket 9/30/70.

4/ Est. 12/21/70 (Polk's).

SOURCE: FDIC Summary of Deposits, dated June 30, 1972.

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State of Washington

Deposits Held by Banks in Counties West of the Cascades
as of June 30, 1970

County / Bank	No. of Branches	Total Offices (Bank & Branches)	Total Deposits $000's	Percent of County Deposits
Clallam County				
First NB in Port Angeles	4	5	$ 22,439	48.19%
Olympic State Bank	1	2	10,106	21.71
Bank of Sequim	1	2	8,145	17.49
Forks State Bank	-	1	5,869	12.61
Total 4 Banks	6	10	46,559	100.00
Clark County				
First Independent Bank	7	8	47,679	35.57
Seattle-First NB	2	2	43,900	32.75
NB of Commerce of Seattle	2	2	32,629	24.34
Pacific NW of Washington 1/	1	1	4,419	3.30
Bank of Vancouver	-	1	3,352	2.50
First State Bank	1	2	2,075	1.55
Total 6 Banks	13	16	134,054	100.00
Cowlitz County				
NB of Commerce of Seattle	1	1	30,439	36.35
Seattle First NB	2	2	25,010	29.87
Bank of Cowlitz	4	5	19,662	23.48
Pacific NW of Washington 1/	2	2	8,628	10.30
Total 4 Banks	9	10	83,739	100.00
Grays Harbor				
NB of Commerce of Seattle	3	3	49,046	53.88
Pacific NW of Washington 1/	3	3	13,215	14.52
People's NB of Washington	1	1	12,449	13.67
Seattle-First National Bank	2	2	12,345	13.56
Thurston County Bank	-	1	2,125	2.33
McCleary State Bank	-	1	1,855	2.04
Total 6 Banks	9	11	91,035	100.00
Island County				
Everett Trust & Savings Bank	3	3	11,774	62.00
Whidbey Island Bank	2	3	3,784	19.93
Langley State Bank 2/	1	2	3,432	18.07
Total 3 Banks	6	8	18,990	100.00
Jefferson County				
First American NB of Port Townsend	1	2	11,386	100.00
Total 1 Bank	1	2	11,386	100.00

State of Washington

Deposits Held by Banks in Counties West of the Cascades
as of June 30, 1970

County / Bank	No. of Branches	Total Offices (Bank & Branches)	Total Deposits $000's	Percent of County Deposits
King County				
Seattle - First NB	66	67	$ 845,010	37.78 %
NB of Commerce of Seattle	46	47	513,847	22.97
Peoples NB of Washington	28	29	272,670	12.19
Pacific NB of Washington 1/	16	17	217,512	9.73
Seattle Trust & Savings Bank	16	17	110, 192	4.93
Bank of California - Seattle	1	1	112,035	5.01
Bank of the West	7	8	29,338	1.31
Canadian Imperial Bank of Commerce	-	1	24,736	1.11
Guaranty NB of White Center	2	3	16,330	.73
First NB of Duwamish	1	2	16,301	.73
North West Bank	1	2	12,588	.56
Bothell State Bank	3	4	12,196	.55
Commercial Bank of Seattle	1	2	10,859	.49
First NB of Redmond	-	1	8,711	.39
Valley NB of Auburn	3	4	8,017	.36
Puget Sound NB	2	2	7,952	.36
Northshore First NB of Bothell	1	2	4,883	.22
Cascade Security Bank	-	1	4,177	.19
Liberty Bank of Seattle	-	1	3,367	.15
Evergreen State Bank	1	2	3,185	.14
Continental Bank	-	1	2,688	.12
Total 21 Banks	195	214	2,236,591	100.00
Kitsap County				
NB of Commerce of Seattle	1	1	26,025	25.89
Kitsap County Bank	2	3	16,339	16.25
Seattle First NB	1	1	15,325	15.24
Pacific NB of Washington 1/	1	1	14,583	14.50
Peoples NB of Washington	1	1	9,227	9.18
First NB of Poulsbo	-	1	9,173	9.12
American Marine Bank	2	3	6,905	6.87
Silverdale State Bank	-	1	2,962	2.95
Total 8 Banks	8	12	100,539	100.00
Lewis County				
Pacific NB of Washington 1/	3	3	28,302	41.88
Security State Bank	-	1	14,090	20.85
NB of Commerce of Seattle	1	1	11,874	17.57
Seattle - First NB	1	1	9,220	13.64
State Bank of Morton	-	1	4,093	6.06
Total 5 Banks	5	7	67,579	100.00

State of Washington

Deposits Held by Banks in Counties West of the Cascades
as of June 30, 1970

County / Bank	No. of Branches	Total Offices (Bank & Branches)	Total Deposits $M's	Percent of County Deposits
Mason County				
Seattle - First NB	1	1	$13,903	72.32 %
NB of Mason City	1	2	5,322	27.68
Total 2 Banks	2	3	19,225	100.00
Pacific County				
Seattle-First NB	2	2	13,902	58.40
NB of Commerce of Seattle	2	2	9,902	41.60
Total 2 Banks	4	4	23,804	100.00
Pierce County				
Pacific NB of Washington 1/	22	23	201,191	38.29
Puget Sound National Bank	21	22	169,775	32.12
Bank of California-Tacoma	1	1	65,397	12.45
Seattle-First National Bank	6	6	31,102	5.92
Citizens State Bank	4	5	21,584	4.11
North Pacific Bank	1	2	15,092	2.87
Peoples NB of Washington	3	3	10,864	2.07
Peninsula State Bank	1	2	6,296	1.20
Eatonville State Bank	-	1	3,036	.58
Orting State Bank		1	2,096	.40
Total 10 Banks	59	66	525,423	100.00
San Juan County				
San Juan County Bank	1	2	6,613	100.00
Total 1 Bank	1	2	6,613	100.00
Skagit County				
NB of Commerce of Seattle	4	4	31,996	38.68
Seattle-First NB	2	2	22,849	27.61
Skagit State Bank	1	2	12,057	14.57
Peoples NB of Washington	1	1	9,427	11.39
Bank of Anacortes	-	1	4,294	5.30
State Bank of Concrete	-	1	1,892	2.26
Total 6 Banks	8	11	82,755	100.00
Skamania County				
Columbia Gorge Bank	1	2	3,649	100.00
Total 1 Bank	1	2	3,649	100.00

State of Washington

Deposits Held by Banks in Counties West of the Cascades
as of June 30, 1970

County / Bank	No. of Branches	Total Offices (Bank of Branches)	Total Deposits $000's	Percent of County Deposits
Snohomish County				
Seattle- First NB	12	12	$114,063	42.84%
Everett Trust & Savings Bank	8	9	56,006	21.03
Bank of Everett	4	5	22,606	8.49
Peoples NB of Washington	2	2	20,161	7.57
NB of Commerce of Seattle	2	2	20,143	7.56
Security Bank	3	4	11,565	4.34
First NB of Lynnwood	-	1	9,563	3.59
Pacific NB of Washington 1/	1	1	6,884	2.59
American NB of Edmonds	-	1	2,275	.85
Bank of Arlington	-	1	1,681	.63
Granite Falls State Bank	-	1	1,352	.51
Total 11 Banks	32	39	266,279	100.00
Thurston County				
Seattle-First National Bank	1	1	55,843	44.17
NB of Commerce of Seattle	1	1	37,127	29.37
Seattle Trust & Savings Bank	3	3	24,486	19.37
South Sound NB	-	1	5,585	4.42
Thurston County Bank	2	2	3,381	2.67
Total 5 Banks	7	8	126,422	100.00
Wahkiakum County				
Seattle-First National Bank	1	1	4,328	100.00
Total 1 Bank	1	1	4,328	100.00
Whatcom County				
NB of Commerce of Seattle	4	4	33,646	30.07
Bellingham NB	4	5	27,224	24.33
Seattle-First NB	2	2	24,250	21.67
Northwestern Commercial Bank	1	2	10,709	9.57
First NB of Ferndale	-	1	8,135	7.27
Peoples State Bank	-	1	7,928	7.09
Total 6 Banks	11	15	111,892	100.00
19 Counties- 64 Banks	378	441	$3,960,853	-

1/ National Bank of Washington, Tacoma merged with Pacific National Bank of Seattle 8-17-70, under the title Pacific National Bank of Washington, head office moved from Tacoma to Seattle.
2/ Acquired by Peoples National Bank of Washington 7-6-70.

Source: FDIC Summary of Deposits, June 30, 1970.

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State of Washington

Total Deposits Held By Commercial Banks In Counties West Of The Cascades

As Of June 30, 1972

(000's)

County	Bank Title	No. of Offices	Total Deposits	Percent of County Deposits
Clallam				
	Forks State	1	$ 8,118	13.25%
	First National Bank in Port Angeles	5	28,815	47.04
	Peoples National Bank of Washington	3	12,852	20.96
	Bank of Sequim	2	11,477	18.73
	Total 4 Banks	11	$ 61,262	100.00%
Clark				
	Northwest Bank	3	4,297	2.48%
	National Bank of Commerce	2	37,322	21.56
	Pacific National Bank of Washington	1	5,423	3.14
	Peoples National Bank of Washington	1	3,848	2.23
	Seattle First National Bank	2	54,660	31.61
	First Independent	9	65,381	37.81
	Washington State	1	1,991	1.15
	Total 7 Banks	19	$172,922	100.00%
Cowlitz				
	Bank of Cowlitz County	5	33,363	30.83%
	National Bank of Commerce	1	34,360	31.75
	Pacific National Bank of Washington	2	10,840	10.02
	Seattle First National Bank	2	29,667	27.41
	Total 4 Banks	10	$108,230	100.00%
Grays Harbor				
	McCleary State	1	2,279	2.13%
	National Bank of Commerce	5	54,444	50.84
	Pacific National Bank of Washington	3	16,910	15.79
	Peoples National Bank of Washington	1	14,460	13.50
	Seattle First National Bank	2	19,006	17.75
	Total 5 Banks	12	$107,099	100.00%
Island				
	Whidbey Island	3	6,140	21.97%
	Everett Trust and Savings	3	17,034	60.94
	Peoples National Bank of Washington	2	4,777	17.09
	Total 3 Banks	8	$ 27,951	100.00%
Jefferson				
	First American National Bank of Port Townsend	3	14,998	100.00%
	Total 1 Bank	3	$ 14,998	100.00%

State of Washington

Total Deposits Held By Commercial Banks In Counties West Of The Cascades

As Of June 30, 1972

(000's)

County	Bank Title	No. of Offices	Total Deposits	Percent of County Deposits
King				
	Valley National Bank of Auburn	4	$ 8,010	.29%
	Bank of the West	9	37,657	1.36
	Bothell State	4	15,723	.57
	Northshore	2	7,419	.27
	Continental	2	9,805	.36
	Cascade Security	1	5,547	.20
	First National Bank of Enumclaw	3	19,810	.72
	Bank of Kirkland	1	2,203	.08
	First National Bank of Redmond	1	9,626	.35
	Ballard Bank of Washington	1	1,278	.04
*	Canadian Imperial Bank of Commerce	*1	* 43,184	
	Commercial Bank of Seattle	3	12,743	.46
	Evergreen State	2	4,503	.16
	Liberty Bank of Seattle	1	6,723	.24
	National Bank of Commerce	53	636,916	23.02
	Pacific National Bank of Washington	20	265,573	9.60
	Peoples National Bank of Washington	29	329,400	11.91
	Savings Bank Trust	1	607	.02
	Seattle First National Bank	71	1,074,908	38.84
	Seattle Trust and Savings	21	138,983	5.02
	Teacher's State	1	3,938	.14
	Washington Bancshares, Inc.			
	Old National Bank of Washington	2	16,859	.61
	Puget Sound National Bank	3	10,137	.37
	Guaranty National Bank of White Center	3	18,541	.67
	Bank of California	1	130,782	4.71
	Total 25 Banks	239	$2,810,235	
	Minus *	1	43,184	
	Total	238	$2,767,051	100.00%
Kitsap				
	First State Bank of Port Orchard	1	2,534	1.98%
	Kitsap County	4	21,309	16.79
	First National Bank of Poulsbo	2	11,757	9.26
	National Bank of Commerce	1	28,766	22.66
	Pacific National Bank of Washington	1	15,152	11.94
	Peoples National Bank of Washington	1	10,758	8.48
	Seattle First National Bank	1	22,163	17.46
	Silverdale State	1	3,547	2.79
	American Marine	4	10,953	8.63
	Total	16	126,919	100.00%

State of Washington

Total Deposits Held By Commercial Banks In Counties West Of The Cascades

As Of June 30, 1972

(000's)

County	Bank Title	No. of Offices	Total Deposits	Percent of County Deposits
Lewis				
	Security State Bank	3	$ 19,210	22.16%
	State Bank of Morton	1	4,685	5.40
	National Bank of Commerce	1	14,282	16.47
	Pacific National Bank of Washington	3	35,787	41.28
	Seattle First National Bank	1	12,738	14.69
	Total 5 Banks	9	$ 86,702	100.00%
Mason				
	Seattle First National Bank	1	19,342	70.69%
	Puget Sound National Bank	2	8,020	29.31
	Total 2 Banks	3	$ 27,362	100.00%
Pacific				
	Bank of the Pacific	1	2,040	6.88%
	National Bank of Commerce	2	11,515	38.86
	Seattle First National Bank	2	16,076	54.25
	Total 3 Banks	5	$ 29,631	100.00%
Pierce				
	Eatonville State	1	3,708	.59%
	Western Community	1	3,099	.49
	Peninsula State	2	8,644	1.38
	Orting State	1	2,343	.37
	Citizens State	5	24,885	3.97
	Pacific National Bank of Washington	24	223,480	35.67
	Peoples National Bank of Washington	3	15,600	2.49
	Puget Sound National Bank	25	209,272	33.40
	Seattle First National Bank	7	45,118	7.20
	North Pacific	3	18,465	2.95
	Tacoma Commercial	1	2,300	.37
	Bank of California	1	69,596	11.11
	Total	74	$626,510	100.00%
San Juan				
	San Juan County	2	9,999	100.00%
	Total 1 Bank	2	9,999	100.00%
Skagit				
	Bank of Anacortes	1	6,454	5.95%
	State Bank of Concrete	1	2,313	2.13
	Skagit State	2	16,537	15.26
	National Bank of Commerce	4	39,969	36.87
	Peoples National Bank of Washington	1	12,187	11.24
	Seattle First National Bank	2	30,942	28.54
	Total 6 Banks	11	$108,402	100.00%

State of Washington

Total Deposits Held By Commercial Banks In Counties West Of The Cascades *

As Of June 30, 1972

(000's)

County	Bank Title	No. of Offices	Total Deposits	Percent of County Deposits
Skamania				
	Columbia Gorge	1	$ 4,661	100.00%
	Total 1 Bank	1	$ 4,661	100.00%
Snohomish				
	Bank of Arlington	1	2,566	.76%
	American National Bank of Edmonds	1	3,518	1.04
	Bank of Everett	6	31,193	9.18
	Everett Trust and Savings	10	74,000	21.77
	Granite Falls State	1	1,640	.48
	Security Bank	5	14,923	4.39
	National Bank of Commerce	2	25,335	7.45
	Pacific National Bank of Washington	1	8,167	2.40
	Peoples National Bank of Washington	2	23,523	6.92
	Seattle First National Bank	12	143,293	42.16
	First National Bank of Stanwood	1	11,704	3.44
	Total 11 Banks	42	$339,862	100.00%
Thurston				
	South Sound National Bank	3	8,883	6.03%
	Thurston County	4	11,069	7.51
	National Bank of Commerce	1	36,572	24.81
	Seattle First National Bank	1	62,644	42.50
	Seattle Trust and Savings	3	28,221	19.15
	Total 5 Banks	12	$147,389	100.00%
Wahkiakum				
	Seattle First National Bank	1	5,646	100.00%
	Total 1 Bank	1	$ 5,646	100.00%
Whatcom				
	Bellingham National Bank	5	32,874	22.47%
	Northwestern Commercial	2	15,189	10.38
	First National Bank of Ferndale	1	9,778	6.68
	Peoples State	1	11,052	7.56
	National Bank of Commerce	4	45,784	31.30
	Seattle First National Bank	2	31,605	21.61
	Total 6 Banks	15	$146,282	100.00%
19 Counties 67 Banks Western Counties		493	$4,962,062	
Without Canadian Imperial Bank of Commerce		492	$4,918,878	
State Total		688	$6,524,754	
State Total without Canadian Imperial Bank of Com.		687	$6,481,070	

* Deleted from Totals.
Note: Due to rounding figures may not add to totals.

SOURCE: FDIC Summary of Deposits, June 30, 1972.

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STATE OF WASHINGTON

TOTAL DEPOSITS HELD BY COMMERCIAL BANKING ORGANIZATIONS BY COUNTY

JUNE 30, 1970

(dollars in thousands)

Eastern Washington Counties	Value	Percent	Percent of State Total
Adams	$ 26,006	2.02	.50
Asotin	22,295	1.73	.42
Benton	69,571	5.41	1.33
Chelan	78,187	6.08	1.49
Columbia	10,772	.84	.21
Douglas	17,599	1.37	.33
Ferry	2,802	.22	.05
Franklin	35,005	2.72	.67
Garfield	9,502	.74	.18
Grant	53,162	4.13	1.01
Kittitas	44,006	3.42	.84
Klickitat	18,003	1.40	.34
Lincoln	31,932	2.48	.61
Okanogan	43,900	3.41	.84
Pend Oreille	9,467	.74	.18
Spokane	464,283	36.10	8.85
Stevens	26,131	2.03	.50
Walla Walla	68,307	5.31	1.30
Whitman	73,154	5.69	1.39
Yakima	182,181	14.16	3.47
Total	$1,286,265	100.00	24.51
State of Washington	$5,247,118		

Western Washington Counties	Value	Percent	Percent of State Total
Clallam	$ 46,559	1.18	.89
Clark	134,054	3.38	2.55
Cowlitz	83,739	2.11	1.60
Grays Harbor	91,035	2.30	1.73
Island	18,990	.48	.36
Jefferson	11,386	.29	.22
King	2,236,591	56.47	42.63
Kitsap	100,539	2.54	1.92
Lewis	67,579	1.71	1.29
Mason	19,225	.49	.37
Pacific	23,804	.60	.45
Pierce	525,423	13.27	10.01
San Juan	6,613	.17	.13
Skagit	82,755	2.09	1.58
Skamania	3,640	.09	.07
Snohomish	266,279	6.72	5.07
Thurston	126,422	3.19	2.41
Wahkiakum	4,328	.11	.08
Whatcom	111,892	2.82	2.13
Total	$3,960,853	100.00	75.49
State of Washington	$5,247,118		

SOURCE: FDIC Summary of Deposits, June 30, 1970.

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STATE OF WASHINGTON

TOTAL DEPOSITS HELD BY COMMERCIAL BANKING ORGANIZATIONS BY COUNTY

JUNE 30, 1972

(dollars in thousands)

Eastern Washington			Percent of
Counties	Value	Percent	State Total
Adams	34,336	2.20	.53
Asotin	29,222	1.87	.45
Benton	94,083	6.02	1.45
Chelan	90,533	5.80	1.40
Columbia	13,965	.89	.22
Douglas	24,640	1.58	.38
Ferry	3,824	.24	.06
Franklin	44,417	2.84	.69
Garfield	11,519	.74	.18
Grant	67,604	4.33	1.04
Kittitas	49,615	3.18	.77
Klickitat	25,772	1.65	.40
Lincoln	39,135	2.51	.60
Okanogan	50,840	3.25	.78
Pend Oreille	11,827	.76	.18
Spokane	541,888	34.69	8.36
Stevens	34,445	2.20	.53
Walla Walla	85,391	5.47	1.32
Whitman	83,314	5.33	1.29
Yakima	225,822	14.46	3.48
Total	$1,562,192	100.00	24.10
State of Washington	$6,481,070		100.00

Western Washington			Percent of
Counties	Value	Percent	State Total
Clallam	61,262	1.25	.95
Clark	172,922	3.52	2.67
Cowlitz	108,230	2.20	1.67
Grays Harbor	107,099	2.18	1.65
Island	27,951	.57	.43
Jefferson	14,998	.30	.23
King	2,767,051	56.25	42.69
Kitsap	126,919	2.58	1.96
Lewis	86,702	1.76	1.34
Mason	27,362	.56	.42
Pacific	29,631	.60	.46
Pierce	626,510	12.74	9.67
San Juan	9,999	.20	.15
Skagit	108,402	2.20	1.67
Skamania	4,661	.09	.07
Snohomish	339,362	6.91	5.24
Thurston	147,359	3.00	2.27
Wahkiakum	5,646	.11	.09
Whatcom	146,282	2.97	2.26
Total	$4,918,878	100.00	75.90
State of Washington	$6,481,070		100.00

Note: Due to rounding figures may not add to totals.

SOURCE: FDIC Summary of Deposits, June 30, 1972.

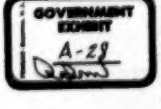
TOTAL NUMBER OF OFFICES OF THE COMMERCIAL BANKING ORGANIZATIONS BY COUNTY
JUNE 30, 1970

~~(dollars in thousands)~~

Eastern Washington Counties	Offices	Percent	Percent of State Total
Adams	6	3.21	.96
Asotin	3	1.60	.48
Benton	10	5.35	1.59
Chelan	9	4.81	1.43
Columbia	2	1.07	.32
Douglas	4	2.14	.64
Ferry	1	.53	.16
Franklin	6	3.21	.96
Garfield	2	1.07	.32
Grant	15	8.02	2.39
Kittitas	7	3.74	1.11
Klickitat	4	2.14	.64
Lincoln	7	3.74	1.11
Okanogan	9	4.81	1.43
Pend Oreille	2	1.07	.32
Spokane	48	25.67	7.64
Stevens	4	2.14	.64
Walla Walla	6	3.21	.96
Whitman	16	8.56	2.55
Yakima	26	13.90	4.14
Total	187	100.00	29.78
State of Washington	628		

Western Washington Counties	Offices	Percent	Percent of State Total
Clallam	10	2.27	1.59
Clark	16	3.63	2.55
Cowlitz	10	2.27	1.59
Grays Harbor	11	2.49	1.75
Island	8	1.81	1.27
Jefferson	2	.45	.32
King	214	48.53	34.08
Kitsap	12	2.72	1.91
Lewis	7	1.59	1.11
Mason	3	.68	.48
Pacific	4	.91	.64
Pierce	66	14.97	10.51
San Juan	2	.45	.32
Skagit	11	2.49	1.75
Skamania	2	.45	.32
Snohomish	39	8.84	6.21
Thurston	8	1.81	1.27
Wahkiakum	1	.23	.16
Whatcom	15	3.40	2.39
Total	441	100.00	70.22
State of Washington	628		

SOURCE: FDIC Summary of Deposits, June 30, 1970.



GX A-29

STATE OF WASHINGTON

TOTAL NUMBER OF OFFICES OF THE COMMERCIAL BANKING ORGANIZATIONS BY COUNTY

JUNE 30, 1972

(dollars in thousands)

Eastern Washington Counties	Offices	Percent	Percent of State Total
Adams	6	3.08	.87
Asotin	3	1.54	.44
Benton	10	5.13	1.46
Chelan	10	5.13	1.46
Columbia	2	1.03	.29
Douglas	4	2.05	.58
Ferry	1	.51	.15
Franklin	6	3.08	.87
Garfield	2	1.03	.29
Grant	16	8.21	2.33
Kittitas	7	3.59	1.02
Klickitat	4	2.05	.58
Lincoln	7	3.59	1.02
Okanogan	9	4.62	1.31
Pend Oreille	2	1.03	.29
Spokane	52	26.67	7.59
Stevens	4	2.05	.58
Walla Walla	6	3.08	.87
Whitman	17	8.72	2.47
Yakima	27	13.85	3.93
Total	195	100.00	28.38
State of Washington	687		100.00

Western Washington Counties	Offices	Percent	Percent of State Total
Clallam	11	2.24	1.60
Clark	19	3.86	2.77
Cowlitz	10	2.03	1.46
Grays Harbor	12	2.44	1.75
Island	8	1.63	1.16
Jefferson	3	.61	.44
King	238	48.37	34.64
Kitsap	16	3.25	2.33
Lewis	9	1.83	1.31
Mason	3	.61	.44
Pacific	5	1.02	.73
Pierce	74	15.04	10.77
San Juan	2	.41	.29
Skagit	11	2.24	1.60
Skamania	1	.20	.15
Snohomish	42	8.54	6.11
Thurston	12	2.44	1.75
Wahkiakum	1	.20	.15
Whatcom	15	3.05	2.18
Total	492	100.00	71.62
State of Washington	687		100.00

Note: Due to rounding figures may not add to totals.

SOURCE: FDIC Summary of Deposits, June 30, 1972.

GOVERNMENT EXHIBIT A-29

GX A-30

SHARE OF COUNTY DEPOSITS HELD BY TWO LARGEST BANKING ORGANIZATIONS IN STATE OF WASHINGTON
JUNE 30, 1970

County	Number of Banks in County	Number of Top 2 in County	Rank of Top 2 in County	Share of County Deposits Held by Top 2
Adams	4	2	1, 4	45.2 %
Asotin	2	1	1	72.0
Benton	5	2	1, 2	71.2
Chelan	4	2	1, 2	84.8
Clallam	4	-	-	-
Clark	6	2	2, 3	57.1
Columbia	2	2	1, 2	100.0
Cowlitz	4	2	1, 2	66.2
Douglas	3	2	1, 3	66.6
Ferry	1	1	1	100.0
Franklin	3	1	1	63.6
Garfield	2	1	2	35.1
Grant	4	2	2, 3	44.1
Grays Harbor	6	2	1, 4	67.4
Island	3	-	-	-
Jefferson	1	-	-	-
King	21	2	1, 2	60.8
Kitsap	8	2	1, 3	41.1
Kittitas	5	2	2, 3	45.6
Klickitat	3	1	1	80.8
Lewis	5	2	3, 4	31.2
Lincoln	3	2	2, 3	52.3
Mason	2	1	1	72.3
Okanogan	7	2	1, 3	51.2
Pacific	2	2	1, 2	100.0
Pend Oreille	2	1	1	81.6
Pierce	10	1	4	5.9
San Juan	1	-	-	-
Skagit	6	2	1, 2	66.3
Skamania	1	-	-	-

GOVERNMENT EXHIBIT A-30

SHARE OF COUNTY DEPOSITS HELD BY TWO LARGEST BANKING ORGANIZATIONS IN STATE OF WASHINGTON
JUNE 30, 1970

County	Number of Banks in County	Number of Top 2 in County	Rank of Top 2 in County	Share of County Deposits Held by Top 2
Snohomish	11	2	1, 5	50.4 %
Spokane	9 1/	2	2, 7	33.3
Stevens	2	2	1, 2	100.0
Thurston	5	2	1, 2	73.5
Wahkiakum	1	1	1	100.0
Walla Walla	4	2	2, 3	40.5
Whatcom	6	2	1, 3	51.7
Whitman	7	2	2, 4	45.1
Yakima	6	2	1, 2	56.1

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1/ Figures for the Old National Bank of Washington and First National Bank of Spokane (controlled by Washington Bancshares, Inc.) have been combined.

Note: Top 2 Banking Organizations include Seattle-First National Bank and National Bank of Commerce of Seattle.

SOURCE: FDIC Summary of Deposits, June 30, 1970.

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SHARE OF COUNTY DEPOSITS HELD BY TWO LARGEST BANKING ORGANIZATIONS IN STATE OF WASHINGTON
JUNE 30, 1972

County	Number of Banks in County	Number of Top 2 in County	Rank of Top 2 in County	Share of County Deposits Held by Top 2
Adams	4	2	1, 4	48.3%
Asotin	2	1	1	68.9
Benton	5	2	1, 2	72.1
Chelan	4	2	1, 2	81.6
Challam 1/	4	-	-	-
Clark	7	2	2, 3	53.2
Columbia	2	2	1, 2	100.0
Cowlitz	4	2	1, 3	59.2
Douglas	3	2	1, 3	70.0
Ferry	1	1	1	100.0
Franklin	3	1	1	65.4
Garfield	2	1	2	44.5
Grant 2/	5	2	2, 3	39.7
Grays Harbor	5	2	1, 2	68.6
Island	3	-	-	-
Jefferson	1	-	-	-
King 3/	24	2	1, 2	61.9
Kitsap	[illegible]	2	1, 2	40.[illegible]
Kittitas	5	[illegible]	1, 4	45.2
Klickitat	3	[illegible]	1	71.[illegible]
Lewis	5	2	2, 3	31.8
Lincoln	3	2	2, 3	56.[illegible]
Mason	2	1	1	70.7
Okanogan 4/	5	2	1, 2	64.2
Pacific	2	2	1, 2	93.[illegible]
Pend Oreille	2	1	1	82.0
Pierce 5/	12	1	4	7.2
San Juan	1	-	-	-
Skagit	6	2	1, 2	61.4
Skamania	1	-	-	-

SHARE OF COUNTY DEPOSITS HELD BY TWO LARGEST BANKING ORGANIZATIONS IN STATE OF WASHINGTON
JUNE 30, 1972

County	Number of Banks in County	Number of Top 2 in County	Rank of Top 2 in County	Share of County Deposits Held by Top 2
Snohomish	11	2	1, 4	49.6%
Spokane	9 6/	2	2, 7	23.6
Stevens	2	2	1, 2	100.0
Thurston	5	2	1, 2	67.3
Wahkiakum	1	1	1	100.0
Walla Walla	4	2	2, 3	42.2
Whatcom	6	2	1, 3	52.9
Whitman 7/	5	2	2, 4	42.9
Yakima	6	2	1, 2	54.3

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Note: Top 2 Banking Organizations include Seattle-First National Bank and National Bank of Commerce of Seattle.

1/ Olympia National Bank acquired by Peoples National Bank of Washington 3/17/72.
2/ Eastern Washington Bank (New) Established 7/7/71.
3/ Ballard Bank of Washington (New) began operation 5/1/72.
4/ National Bank of Commerce acquired Oroville State Bank 3/17/72; Old National Bank of Washington acquired National Bank of Tonasket 9/30/70.
5/ Tacoma Commercial Bank (New) began operation 3/1/72.
6/ Figures for the Old National Bank of Washington and First National Bank of Spokane (controlled by Washington Bancshares, Inc.) have been combined.
7/ Bank of Pullman (New) Established 2/21/70.

SOURCE: FDIC Summary of Deposits, June 30, 1972.

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SHARE OF COUNTY DEPOSITS HELD BY TWO LARGEST BANKING ORGANIZATIONS IN STATE OF WASHINGTON
IN EASTERN WASHINGTON
JUNE 30, 1970

	Number of Banks in County	Number of Top 2 in County	Rank of Top 2 in County	Share of County Deposits Held by Top 2
Adams	4	2	1, 4	45.2%
Asotin	2	1	1	72.0
Benton	5	2	1, 2	71.2
Chelan	4	2	1, 2	84.8
Columbia	2	2	1, 2	100.0
Douglas	3	2	1,3	66.6
Ferry	1	1	1	100.0
Franklin	3	1	1	63.6
Garfield	2	1	2	35.1
Grant	4	2	2, 3	44.1
Kittitas	5	2	2, 3	45.6
Klickitat	3	1	1	80.8
Lincoln	3	2	2, 3	52.3
Okanogan	7	2	1, 3	51.2
Pend Oreille	2	1	1	81.6
Spokane	9 1/	2	2, 7	33.3
Stevens	2	2	1, 2	100.0
Walla Walla	4	2	2, 3	40.5
Whitman	7	2	2, 4	45.1
Yakima	6	2	1, 2	56.1

Note: Top 2 Banking Organizations include Seattle-First National Bank and National Bank of Commerce of Seattle.

1/ Figures for the Old National Bank of Washington and First National Bank of Spokane (controlled by Washington Bancshares, Inc.) have been combined.

SOURCE: FDIC Summary of Deposits, June 30, 1970.

GX A-33

SHARE OF COUNTY DEPOSITS HELD BY TWO LARGEST BANKING ORGANIZATIONS IN STATE OF WASHINGTON IN EASTERN WASHINGTON

JUNE 30, 1972

	Number of Banks in County	Number of Top 2 in County	Rank of Top 2 in County	Share of County Deposits Held by Top 2
Adams	4	2	1, 4	48.3%
Asotin	2	1	1	68.9
Benton	5	2	1, 2	72.1
Chelan	4	2	1, 2	81.6
Columbia	2	2	1, 2	100.0
Douglas	3	2	1, 3	70.0
Ferry	1	1	1	100.0
Franklin	3	1	1	65.4
Garfield	2	1	2	44.3
Grant 1/	5	2	2, 3	39.7
Kittitas	5	2	1, 4	45.2
Klickitat	3	1	1	71.7
Lincoln	3	2	2, 3	54.3
Okanogan 2/	5	2	1, 2	64.8
Pend Oreille	2	1	1	83.0
Spokane	9 3/	2	2, 7	33.6
Stevens	2	2	1, 2	100.0
Walla Walla	4	2	2, 3	42.2
Whitman 4/	8	2	2, 4	42.9
Yakima	6	2	1, 2	54.3

Note: Top 2 Banking Organizations include Seattle-First National Bank and National Bank of Commerce of Seattle.

1/ Eastern Washington Bank (New) est. 7/7/71.
2/ N B of Commerce acquired Oroville State Bank 3/17/72; Old NB of Washington acquired NB of Tonasket 9/30/70.
3/ Figures for the Old National Bank of Washington and First National Bank of Spokane (controlled by Washington Bancshares, Inc.) have been combined.
4/ Bank of Pullman (new) est. 2/21/70.

SOURCE: FDIC Summary of Deposits, June 30, 1972 and Polk's Bank Directory.

GOVERNMENT EXHIBIT A-33

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SHARE OF COUNTY DEPOSITS HELD BY FIVE LARGEST BANKING ORGANIZATIONS IN STATE OF WASHINGTON

JUNE 30, 1970

County	Number of Banks in County	Number of Top 5 in County	Rank of Top 5 in County	Share of County Deposits Held by Top 5
Adam	4	4	1, 2, 3, 4,	100.0 %
Asotin	2	1	1	72.0
Benton	5	3	1, 2, 3	92.1
Chelan	4	2	1, 2	84.8
Clallam	4	-	-	-
Clark	6	3	2, 3, 4	60.4
Columbia	2	2	1, 2	100.0
Cowlitz	4	3	1, 2, 4	76.5
Douglas	3	2	1, 3	66.6
Ferry	1	1	1	100.0
Franklin	3	3	1, 2, 3	100.0
Garfield	2	2	1, 2	100.0
Grant	4	3	1, 2, 3	81.3
Grays Harbor	6	4	1, 2, 3, 4	95.6
Island	3	1/	-	-
Jefferson	1	-	-	-
King	21	4	1, 2, 3, 4	82.7
Kitsap	8	4	1, 3, 4, 5	64.8
Kittitas	5	3	1, 2, 3	80.7
Klickitat	3	1	1	80.8
Lewis	5	3	1, 3, 4	73.1
Lincoln	3	3	1, 2, 3	100.0
Mason	2	1	1	72.3
Okanogan	7	3	1, 3, 5	61.5
Pacific	2	2	1, 2	100.0
Pend Oreille	2	1	1	81.6
Pierce	10	3	1, 4, 7	82.3
San Juan	1	-	-	-
Skagit	6	3	1, 2, 4	77.7
Skamania	1	-	-	-

SHARE OF COUNTY DEPOSITS HELD BY FIVE LARGEST BANKING ORGANIZATIONS IN STATE OF WASHINGTON

JUNE 30, 1970

County	Number of Banks in County	Number of Top 5 in County	Rank of Top 5 in County	Share of County Deposits Held by Top 5
Snohomish	11	4	1, 4, 5, 8	60.6 %
Spokane	9 2/	4	1, 2, 4, 7	78.6
Stevens	2	2	1, 2	100.0
Thurston	5	2	1, 2	73.5
Wahkiakum	1	1	1	100.0
Walla Walla	4	3	2, 3, 4	46.4
Whatcom	6	2	1, 3	51.7
Whitman	7	3	1, 2, 4	91.0
Yakima	6	4	1, 2, 3, 5	84.7

1/ Langley State Bank acquired by Peoples National Bank of Washington 7-6-70.

2/ Figures for the Old National Bank of Washington and First National Bank of Spokane (controlled by Washington Bancshares, Inc.,) have been combined.

Note: Top 5 Banking Organizations include Seattle-First National Bank, National Bank of Commerce of Seattle, Pacific National Bank of Washington, Peoples National Bank of Washington, and Washington Bancshares, Inc.

SOURCE: FDIC Summary of Deposits, June 30, 1970.

SHARE OF COUNTY DEPOSITS HELD BY FIVE LARGEST BANKING ORGANIZATIONS IN STATE OF WASHINGTON
JUNE 30, 1972

County	Number of Banks in County	Number of Top 5 in County	Rank of Top 5 in County	Share of County Deposits Held by Top 5
Adams	4	4	1, 2, 3, 4	100.0 %
Asotin	2	1	1	68.9
Benton	5	3	1, 2, 5	92.0
Chelan	4	2	1, 2	81.6
Challam 1/	4	1	2	21.0
Clark	7	4	2, 3, 4, 6	58.6
Columbia	2	2	1, 2	100.0
Cowlitz	4	3	1, 3, 4	69.2
Douglas	3	2	1, 3	70.0
Ferry	1	1	1	100.0
Franklin	3	3	1, 2, 3	100.0
Garfield	2	2	1, 2	100.0
Grant 2/	5	3	1, 2, 3	78.2
Grays Harbor	5	4	1, 2, 3, 4	97.9
Island	3	1	3	17.1
Jefferson	1	-	-	-
King 3/	24	5	1, 2, 3, 4, 10	84.0
Kitsap	9	4	1, 2, 4, 7	60.5
Kittitas	5	3	1, 2, 4	77.6
Klickitat	3	1	1	71.7
Lewis	5	3	1, 3, 4	72.4
Lincoln	3	3	1, 2, 3	100.0
Mason	2	1	1	70.7
Okanogan 4/	5	3	1, 2, 3	90.8
Pacific	3	2	1, 2	93.1
Pend Oreille	2	1	1	83.0
Pierce 5/	12	3	1, 4, 7	45.4
San Juan	1	-	-	-
Skagit	6	3	1, 2, 4	76.7
Skamania	1	-	-	-

SHARE OF COUNTY DEPOSITS HELD BY FIVE LARGEST BANKING ORGANIZATIONS IN STATE OF WASHINGTON
JUNE 30, 1972

County	Number of Banks in County	Number of Top 5 in County	Rank of Top 5 in County	Share of County Deposits Held by Top 5
Snohomish	11	4	1, 4, 5, 8	58.9
Spokane	10 6/	4	1, 2, 7, 8	75.9
Stevens	2	2	1, 2	100.0
Thurston	5	2	1, 2	67.3
Wahkiakum	1	1	1	100.0
Walla Walla	4	3	2, 3, 4	49.9
Whatcom	6	2	1, 3	52.9
Whitman 7/	8	3	1, 2, 4	88.2
Yakima	6	4	1, 2, 3, 5	81.2

Note: Top 5 Banking Organizations include Seattle-First National Bank, National Bank of Commerce of Seattle, Pacific National Bank of Washington, Peoples National Bank of Washington, and Washington Bancshares, Inc.

1/ Peoples National Bank of Washington acquired Olympic National Bank, Port Angeles 3/17/72.

2/ Eastern Washington Bank (new) Established 7/7/71.

3/ Ballard Bank of Washington, Seattle began operation 5/1/72.

4/ National Bank of Commerce acquired Oroville State Bank 3/1/72; Old National Bank of Washington acquired National Bank of Tonasket 9/30/70.

5/ Tacoma Commercial Bank (new) Tacoma, began operation 3/1/72.

6/ Figures for the Old National Bank of Washington and First National Bank of Spokane (controlled by Washington Bancshares, Inc.) have been combined.

7/ Bank of Pullman (new) Established 2/21/70.

SOURCE: FDIC Summary of Deposits, June 30, 1972.

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SHARE OF COUNTY DEPOSITS HELD BY FIVE LARGEST BANKING ORGANIZATIONS IN STATE OF WASHINGTON
IN EASTERN WASHINGTON
JUNE 30, 1970

	Number of Banks in County	Number of Top 5 in County	Rank of Top 5 in County	Share of County Deposits Held by Top 5
Adams	4	4	1, 2, 3, 4	100.0%
Asotin	2	1	1	72.0
Benton	5	3	1, 2, 3	92.1
Chelan	4	2	2, 2	84.8
Columbia	2	2	1, 2	100.0
Douglas	3	2	1, 3	93.6
Ferry	1	1	1	100.0
Franklin	3	3	1, 2, 3	100.0
Garfield	2	2	1, 2	100.0
Grant	4	3	1, 2, 3	81.3
Kittitas	5	3	1, 2, 3	89.7
Klickitat	3	1	1	80.8
Lincoln	3	3	1, 2, 3	100.0
Okanogan	7	3	1, 3, 5	61.5
Pend Oreille	2	1	1	81.6
Spokane	9 1/	4	1, 2, 4, 7	76.9
Stevens	2	2	1, 2	100.0
Walla Walla	4	3	2, 3, 4	46.4
Whitman	7	3	1, 2, 4	91.0
Yakima	6	4	1, 2, 3, 5	84.7

Note: Top 5 Ranking Organizations include Seattle-First National Bank, National Bank of Commerce of Seattle, Pacific National Bank of Washington, Peoples National Bank of Washington, and Washington Bancshares, Inc.

1/ Figures for the Old National Bank of Washington and First National Bank of Spokane (controlled by Washington Bancshares, Inc.) have been combined.

SOURCE: FDIC Summary of Deposits June 30, 1970.

SHARE OF COUNTY DEPOSITS HELD BY FIVE LARGEST BANKING ORGANIZATIONS IN STATE OF WASHINGTON
IN EASTERN WASHINGTON
June 30, 1972

	Number of Banks in County	Number of Top 5 in County	Rank of Top 5 in County	Share of County Deposits Held by Top 5
Adams	4	4	1, 2, 3, 4	100.0%
Asotin	2	1	1	68.9
Benton	5	3	1, 2, 5	92.0
Chelan	4	2	1, 2	81.6
Columbia	2	2	1, 2	100.0
Douglas	3	2	1, 3	70.0
Ferry	1	1	1	100.0
Franklin	3	3	1, 2, 3	100.0
Garfield	2	2	1, 2	100.0
Grant 1/	5	3	1, 2, 3	78.2
Kittitas	5	3	1, 2, 4	77.6
Klickitat	3	1	1	71.7
Lincoln	3	3	1, 2, 3	100.0
Okanogan 2/	5	3	1, 2, 3	90.8
Pend Oreille	2	1	1	83.0
Spokane	9 3/	4	1, 2. 7, 8	75.9
Stevens	2	2	1, 2	100.0
Walla Walla	4	3	2, 3, 4	49.9
Whitman 4/	8	3	1, 2, 4	88.2
Yakima	6	4	1, 2, 3, 5	81.2

Note: Top 5 Banking Organizations include Seattle-First National Bank, National Bank of Commerce of Seattle, Pacific National Bank of Washington, Peoples National Bank of Washington and Washington Bancshares, Inc.

1/ Eastern Washington Bank (new) est. 7/7/71.
2/ NB of Commerce acquired Oroville State Bank 3/1/72; Old NB of Washington acquired NB of Tonasket 9/30/70.
3/ Figures for the Old National Bank of Washington and First National Bank of Spokane (controlled by Washington Bancshares, Inc.) have been combined.
4/ Bank of Pullman (new) est. 2/21/70.

SOURCE: FDIC Summary of Deposits June 30, 1972.

DEPOSITS OF COMMERCIAL BANKING ORGANIZATIONS IN STATE OF WASHINGTON

1960 - 1966 - 1968 - 1970 - 1972

(dollars in thousands)

	IPC Demand, Savings and IPC Time Deposits	Total Deposits
June 15, 1960	$2,745,030	$3,162,334
June 30, 1966	3,431,297	4,175,123
June 30, 1968	4,275,678	4,842,720
June 30, 1970	4,628,446	5,247,118
June 30, 1972	5,653,000	6,431,070

SOURCES: Distribution of Bank Deposits by Counties and SMSA, June 15, 1960, Federal Reserve System; FDIC Summary of Accounts and Deposits In All Commercial Banks, June 30, 1966 and 1968; FDIC Summary of Deposits, June 30, 1970 and 1972.

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TOTAL LOANS OF COMMERCIAL BANKING ORGANIZATIONS IN STATE OF WASHINGTON

1960 - 1966 - 1968 - 1970

(dollars in thousands)

June 15, 1960	$2,145,431
June 30, 1966	$2,501,518
June 29, 1968	$3,063,959
June 30, 1970	$3,470,163

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SOURCES: Call Report, Assets and Liabilities' of Member Banks, FDIC, Federal Reserve System, Office of Comptroller of Currency.

NEW BANKS ESTABLISHED IN STATE OF WASHINGTON

1960 - 1972

	State	National	Total
1960	2	1	3
1961	4	0	4
1962	3	1	4
1963	3	0	3
1964	2	6	8
1965	3	3	6
1966	0	0	0
1967	3	1	4
1968	2	0	2
1969	1	1	2
1970	6 1/	0	6 1/
1971	3	0	3
1972	0	2	2
	32	15	47

1/ Does not include Savings Bank Trust Company, Northwest Seattle, established August 21, 1970.

SOURCE: FDIC Changes Among Operating Banks and Branches.

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HISTORY OF THE NEW BANKS ESTABLISHED FROM 1960 THRU 1972 IN STATE OF WASHINGTON

Date New Banks Established	Type	Name of New Banks and Location	Acquired by or Merged with:	Date
Sept. 1, 1960	State	McCleary State Bank - McCleary, Grays Herbor		
Nov. 17, 1960	National	Tri-Cities National Bank - Pasco, Franklin	Old NB of Washington 1/	6-30-64
Jan. 21, 1960	State	Bank of Yakima - Yakima, Yakima		
May 1, 1961	State	Bank of Anacortes - Anacortes, Skagit		
Oct. 11, 1961	State	Northwestern Commercial Bank - Bellingham, Whatcom		
July 3, 1961	State	Whidbey Island Bank - Coupeville, Island		
Aug. 18, 1961	State	Security Bank - Lynnwood, Snohomish		
July 14, 1962	National	Northshore First National Bank - Bothell, King		
July 2, 1962	State	Bank of Everett - Everett, Snohomish		
Apr. 16, 1962	State	Bank of Kent - Kent, King	Bank of the West	1-31-69
Nov. 1, 1962	State	Central Valley Bank - Toppenish, Yakima		
Nov. 13, 1963	State	Bank of Richland - Richland, Benton	Old NB of Washington 1/	8-19-66
Apr. 1, 1963	State	North West Bank - Seattle, King	Old NB of Washington 1/	9-25-70
Oct. 8, 1963	State	South Tacoma State Bank - Tacoma, Pierce 2/	Seattle-First NB	11-29-69
Jan. 6, 1964	National	Valley National Bank of Auburn - Auburn, King		
Feb. 14, 1964	State	Valley Commercial Bank - Clarkston, Asotin		
July 11, 1964	National	American National Bank of Edmonds - Edmonds, Snohomish		

HISTORY OF THE NEW BANKS ESTABLISHED FROM 1960 THRU 1972 IN STATE OF WASHINGTON

Date New Banks Established	Type	Name of New Banks and Location	Acquired by or Merged with	Date
Feb. 1, 1964	State	Cascade Security Bank - Enumclaw, King		
June 1, 1964	National	Timbermans National Bank of Hoquiam - Hoquiam, Grays Harbor	Pacific NB of Washington	12-16-66
Dec. 16, 1964	National	Othello First National Bank - Othello, Adams	Old NB of Washington 1/	9-30-66
Feb. 14, 1964	National	First Union National Bank - Puyallup, Pierce	Puget Sound NB	2-11-66
Oct. 31, 1964	National	National Bank of Mason County - Shelton, Mason	Puget Sound NB	3-19-71
Aug. 30, 1965	State	Bank of the West - Bellevue, King		
Mar. 3, 1965	National	Kennewick National Bank - Kennewick, Benton	Old NB of Washington 1/	
May 28, 1965	National	Highlands National Bank of Renton - Renton, King	Bank of the West	12-67
Aug. 2, 1965	State	American Commercial Bank - Spokane, Spokane		
Aug. 23, 1965	National	Bank of Vancouver National Association - Vancouver, Clark	Peoples NB of Washington	4-5-71
Jan. 26, 1965	State	Central Washington Bank - Wenatchee, Chelan		
May 1, 1967	State	Bank of Arlington - Arlington, Snohomish		
May 16, 1967	State	Ellensburg State Bank - Ellensburg, Kittitas	Bank of Yakima	10-2-72 *
Nov. 15, 1967	National	South Sound National Bank - Lacey, Olympia		
Jan. 26, 1967	State	Redmond State Bank - Redmond, King	Bank of the West	2-24-70
Aug. 26, 1968	State	Klickitat Valley Bank - Goldendale, Klickitat		
May 31, 1968	State	The Liberty Bank of Seattle - Seattle, King		

1205

HISTORY OF THE NEW BANKS ESTABLISHED FROM 1960 THRU 1972 IN STATE OF WASHINGTON

Date New Banks Established	Type	Name of New Banks and Location	Acquired by or Merged with	Date
Sept. 18, 1969	State	Continental Bank - Burien, King		
Aug. 1, 1969	National	Columbia Center National Bank - Kennewick, Benton		
Sept. 14, 1970	State	Western Community Bank - Fircrest, Pierce		
Dec. 16, 1970	State	Bank of Kirkland - Kirkland, King		
May 15, 1970	State	Mid Valley Bank - Omak, Okanogan		
July 2, 1970	State	First State Bank of Port Orchard - Port Orchard, Kitsap		
Dec. 21, 1970	State	Bank of Pullman - Pullman, Whitman		
Aug. 21, 1970	State	Savings Bank Trust Company - Northwest Seattle, King 3/		
Oct. 12, 1970	State	The Washington State Bank - Washougal, Clark		
Oct. 27, 1971	State	Bank of Pacific - Long Beach, Pacific		
July 6, 1971	State	Eastern Washington Bank - Moses Lake, Grant		
Oct. 1, 1971	State	Teachers' State Bank - Seattle, King		
Mar. 1, 1972	National	Tacoma Commercial Bank, N. A. - Tacoma		
May 5, 1972	National	Ballard of Washington, N.A. - Seattle		

* Date approved by FDIC.

1/ Subsidiary of Washington Bancshares, Inc.
2/ Title changed to Bank of Tacoma 1-12-65.
3/ Not a Commercial Bank.

SOURCE: FDIC Changes Among Operating Banks and Branches.

1206

GX A-42

SEATTLE - FIRST NATIONAL BANK - SEATTLE

ACQUISITION OF COMMERCIAL BANKS FROM 1960 TO DATE

Date of Acquisition	Acquired Banks (City and County)	Total Deposits Prior to Acquisition	Loans Prior to Acquisition
3-14-60	State Bank of Republic - Republic, Ferry	$ 2,035,248	$ 758,445
11-17-61	The First National Bank of Everett - Everett, Snohomish	63,058,336	34,256,497
1-22-65	The Citizen's State Bank of Arlington - Arlington, Snohomish	4,550,499	2,506,732
12-30-66	Wahkiakum County Bank - Cathlamet, Wahkiakum	3,130,099	1,026,158
5-1-67	Bank of Sumas - Sumas, Whatcom	1,525,723	983,209
8-30-68	First State Bank of LaCrosse - LaCrosse, Whitman	2,740,121	1,733,486
11-28-69	Bank of Tacoma - Tacoma, Pierce	20,377,072	12,230,106
	Total number of acquired Banks - 7	$97,518,098	$54,255,633

SOURCES: FDIC Changes Among Operating Banks and Branches; Polk's Bank Directory; and Moody's Bank and Finance Manual.

GX A-43

NATIONAL BANK OF COMMERCE OF SEATTLE

ACQUISITION OF COMMERCIAL BANKS FROM 1960 TO DATE

Date of Acquisition	Acquired Banks (City and County)	Total Deposits Prior to Acquisition	Loans Prior to Acquisition
6-19-64	The Bank of Endicott - Endicott, Whitman	$ 2,148,359	$ 556,013
1-26-68	Grandview Security Bank - Grandview, Yakima	3,137,047	2,016,451
11-28-69	State Bank of Wilbur - Wilbur, Lincoln	8,181,341	6,293,161
	Oroville State Bank, Oroville, Okanogan	6,497,633	5,619,682
	Total Number of Acquired Banks - 4	$19,964,380	$14,485,307
	Proposed or Pending Acquisitions		
	Citizen State Bank, Puyallup, Pierce	$24,003,515	$15,731,299
	Washington Trust Bank, Spokane, Spokane	95,648,355	57,628,968
	Total Number of Proposed or Pending Acquisitions - 2	$119,651,870	$73,360,267

SOURCES: FDIC Changes Among Operating Banks and Branches; Polk's Bank Directory; and Moody's Bank and Finance Manual.

1208

GOVERNMENT EXHIBIT A-43

GX A-44

PACIFIC NATIONAL BANK OF WASHINGTON - SEATTLE 1/

ACQUISITION OF COMMERCIAL BANKS FROM 1960 TO DATE

Date of Acquisition	Acquired Banks (City and County)	Total Deposits Prior to Acquisition	Loans Prior to Acquisition
10-5-64	Spokane National Bank - Spokane, Spokane	$ 5,183,406	$ 2,849,039
12-16-66	Timbermens National Bank of Hoquiam, - Hoquiam, Grays Harbor	5,595,175	3,641,370
10-20-67	First National Bank in Montesano - Montesano, Grays Harbor	5,361,690	3,008,874
7-26-68	Bank of Washougal - Washougal, Clark	3,956,711	1,741,484
8-17-70	The Pacific National Bank of Seattle 1/ - Seattle, King	191,610,293	127,373,721
	Total Number of Acquired Banks - 5	$211,707,275	$138,614,488

1209

1/ 8-17-70 National Bank of Washington, Tacoma and Pacific National Bank of Seattle merged, under title of Pacific National Bank of Washington, head office changed from Tacoma to Seattle.

SOURCES: FDIC Changes Among Operating Banks and Branches; Polk's Bank Directory; and Moody's Bank and Finance Manual.

GX A-45

PEOPLES NATIONAL BANK OF WASHINGTON - SEATTLE

ACQUISITION OF COMMERCIAL BANKS FROM 1960 TO DATE

Date of Acquisition	Acquired Bank (City and County)	Total Deposits Prior to Acquisition	Loans Prior to Acquisition
12-22-60	Citizens Bank of Kirkland - Kirkland, King	$ 2,387,454	$ 1,222,630
4-16-62	Mid-Columbia Bank - Pasco, Franklin	3,478,655	1,474,715
7-28-65	Central Bank, National Assoc. - Tacoma, Pierce	6,029,000	3,166,000
7-6-70	Langley State Bank - Langley, Island	3,420,661	1,687,182
4-5-71	Bank of Vancouver, National Association - Vancouver, Clark	3,552,000	1,484,000
2-15-72 *	Olympic National Bank - Port Angeles, Clallam	10,988,453	3,761,374
6-12-72 *	Bothell State Bank - Bothell, King	14,043,713	8,012,391
	Total Number of Acquired Banks - 7	$43,899,936	$20,808,292

1210

* Date approved by the Comptroller of the Currency.

SOURCES: FDIC Changes Among Operating Banks and Branches; Polk's Bank Directory; and Moody's Bank and Finance Manual.

WASHINGTON BANCSHARES, INC.
(Incorporated 8-31-29 Under Title of Old National Corporation, Present Title Adopted 8-23-65)
ACQUISITION OF COMMERCIAL BANKS FROM 1960 TO DATE

I OLD NATIONAL BANK OF WASHINGTON 1/

Date of Acquisition	Acquired Banks (City and County)	Total Deposits Prior to Acquisition	Loans Prior to Acquisition
11-24-61	Walla Walla National Bank - Walla Walla, Walla Walla	$ 1,129,963	$ 667,2[illegible]
6-22-63	Security State Bank - Colton, Whitman	2,155,054	1,269,[illegible]
3-2-64	First National Bank of Pullman-Pullman, Whitman	12,586,087	7,548,[illegible]
6-30-64	Tri-Cities National Bank - Pasco, Franklin	3,601,065	2,100,[illegible]
8-19-66	Bank of Richland - Richland, Benton	5,026,239	2,258,[illegible]
9-30-66	Othello First National Bank - Othello, Adams	1,001,513	582,[illegible]
12-30-66	Kennewick National Bank - Kennewick, Benton	2,916,703	1,6[illegible]
4-30-70	Commercial Bank of Washington - Twisp, Okanogan	5,242,998	3,[illegible]
9-25-70	North West Bank - Seattle, King	12,563,286	8,[illegible]
10-1-70	First National Bank - Tonasket, Okanogan	2,705,376	1,[illegible]
3-23-72 *	First National Bank of Ferndale, Ferndale, Whatcom	10,483,023	6,434,[illegible]
	Total Number of Banks - 11	$65,393,937	$43,23[illegible]
	Proposed or Pending Acquisition		
	Security Bank of Lynnwood, Lynnwood, Snohomish	$14,146,145	$ 6,122,[illegible]

1211

II FIRST NATIONAL BANK IN SPOKANE
No Acquisitions During January 1, 1960 to present.

* Date approved by Comptroller of the Currency.
1/ 1970 title changed from Old National Bank of Washington, Spokane; 2-1-63 title changed from Old National Bank of Spokane.

SOURCES: FDIC Changes Among Operating Banks and Branches; Polk's Bank Directory; and Moody's Bank and Finance Manual.

GX A-47

PUGET SOUND NATIONAL BANK - TACOMA

ACQUISITION OF COMMERCIAL BANKS 1960 TO DATE

Date of Acquisition	Acquired Banks (City and County)	Total Deposits Prior to Acquisition	Loans Prior to Acquisition	Total Deposits at time of Acquisition of Acquiring Bank
2-11-66	First Union National Bank, Puyallup, Pierce	$2,336,399	$ 1,833,226	$120,176,141
3-19-71	National Bank of Mason County, Shelton, Mason	6,322,498	2,857,475	189,908,176
	Total Number of Banks Acquired - 2	$8,658,897	$ 4,690,701	-
	Proposed or Pending Acquisitions			
	Eatonville State Bank, Eatonville, Pierce	$2,607,710	$ 1,964,277	$217,030,740
	State Bank of Morton, Morton, Lewis	4,929,596	3,447,842	"
	State Bank of Orting, Orting, Pierce	1,975,306	1,013,113	"
	Total Number of Proposed or Pending Acquisitions-3	$10,512,612	$5,425,232	-

SOURCES: FDIC "Changes Among Operating Banks and Branches; Polk's Bank Directory; Moody's Bank and Finance Manual.

GX A-48

SEATTLE TRUST AND SAVINGS BANK

ACQUISITION OF COMMERCIAL BANKS FROM 1960 TO DATE

Date of Acquisition	Acquired Banks (City and County)	Total Deposits Prior to Acquisition	Loans Prior to Acquisition	Total Deposits at time of Acquisition of Acquiring Bank
8-4-67	Olympia St. Bank and Trust Co., Olympia, Thurston	$ 18,406,182	$ 9,062,851	$ 98,563,661
3-2-70	CleElum State Bank, CleElum, Kittitas	4,962,321	1,649,713	135,564,572
	Total Number of Banks Acquired - 2	$ 23,368,503	$10,712,564	-

SOURCES: FDIC Changes Among Operating Banks and Branches; Polk's Bank Directory and Moody's Bank and Finance Manual.

GX A-49

BANK OF THE WEST

(Established 8-30-65)

ACQUISITION OF COMMERCIAL BANKS FROM 1966 TO DATE

Date of Acquisition	Acquired Banks (City and County)	Total Deposits Prior to Acquisition	Loans Prior to Acquisition	Total Deposits at time of Acquisition of Acquiring Bank
12-67	Highlands National Bank of Renton, Renton, King	$ 2,244,501	$ 1,131,033	$ 5,740,776
1-31-69	Bank of Kent, Kent, King	5,390,361	3,924,631	12,398,364
2-24-70	Redmond State Bank, Redmond, King	1,914,000	1,770,000	24,820,355
10-30-72 *	Bank of Cowlitz County, Longview, Cowlitz	30,483,669	21,089,714	35,410,726
	Total Number of Banks Acquired - 4	$40,236,531	$27,965,398	-

1214

* Date approved by FDIC.

SOURCES: FDIC Changes Among Operating Banks and Branches; Polk's Bank Directory and Moody's Bank and Finance Manual.

GX A-50

BANK OF YAKIMA

(Established January 21, 1960)

ACQUISITION OF COMMERCIAL BANKS FROM 1961 TO DATE

Date of Acquisition	Acquired Banks (City and County)	Total Deposits Prior to Acquisition	Loans Prior to Acquisition	Total Deposits at time of Acquisition of Acquiring Bank
4-30-70	Bank of Prosser, Prosser, Benton	$ 4,120,749	$ 2,649,993	$23,801,475
10-2-72 *	Ellensburg State Bank	4,624,336	3,200,602	39,504,923
	Total Number of Banks Acquired - 2	$ 8,745,085	$ 5,850,595	-

* Date approved by FDIC.

SOURCES: FDIC Changes Among Operating Banks and Branches; Polk's Bank Directory and Moody's Bank and Finance Manual.

GX A-51

NUMBER OF OFFICES AND TOTAL DEPOSITS HELD BY THE 3 LARGEST AND REMAINING BANKING ORGANIZATIONS IN SPOKANE COUNTY

June 30, 1970

Banking Organizations	No. of Offices	Percent of Total	Deposits 000's	Percent of Total
Old National Bank of Washington 1/	15	31.25	$155,528	33.50
First National Bank of Spokane 1/	5	10.42	34,690	7.47
Washington Bancshares, Inc.	20	41.67	$190,218	40.97
Seattle-First National Bank	8	16.67	146,389	31.53
Washington Trust Bank	8	16.67	75,990	16.37
Sub Total	36	75.00	$412,597	88.87
Pacific National Bank of Washington	2	4.17	19,697	4.24
Farmers and Merchants Bank of Rockford	3	6.25	10,218	2.20
American Commerce Bank	3	6.25	8,832	1.90
National Bank of Commerce of Seattle	2	4.17	8,397	1.81
Bank of Fairfield	1	2.08	3,470	.75
Bank of Latah	1	2.08	1,072	.23
TOTAL	48	100.00	$464,283	100.00

Note: Due to rounding figures may not add to totals.

1/ Subsidiaries of Washington Bancshares, Inc.

SOURCE: FDIC Summary of Deposits, June 30, 1970.

GX A-52

NUMBER OF OFFICES AND TOTAL DEPOSITS HELD BY THE 3 LARGEST AND REMAINING BANKING ORGANIZATIONS IN SPOKANE COUNTY

June 30, 1972

Banking ORGANIZATIONS	No. of Offices	Percent of Total	Deposits 000's	Percent of Total
Old National Bank of Washington 1/	18	34.62	$179,903	33.20
First National Bank of Spokane 1/	5	9.62	38,551	7.11
Washington Bancshares, Inc.	23	44.23	218,454	40.31
Seattle-First National Bank	8	15.38	170,549	31.47
Washington Trust Bank	8	15.38	96,518	17.81
3 LARGEST BANKING ORGANIZATIONS	39	75.00	485,521	89.60
Pacific National Bank of Washington	2	3.85	10,342	1.91
American Commerce Bank	4	7.69	15,740	2.90
Farmers and Merchants Bank Opportunity	3	5.77	12,543	2.31
National Bank of Commerce of Seattle	2	3.85	11,774	2.17
Bank of Fairfield	1	1.92	4,461	.82
Bank of Latah	1	1.92	1,507	.28
TOTAL	52	100.00	541,888	100.00

Note: Due to rounding figures may not add to totals

1/ Subsidiaries of Washington Bancshares, Inc.

SOURCE: FDIC Summary of Deposits, June 30 1972

GX A-53

DEPOSITS OF COMMERCIAL BANKING ORGANIZATIONS IN THE SPOKANE SMSA (SPOKANE COUNTY)

1960 - 1966 - 1968 - 1970 - 1972

(dollars in thousands)

	IPC Demand, Savings and IPC Time Deposits	Total Deposits
June 15, 1960	$ 258,062	$ 291,818
June 30, 1966	325,168	373,876
June 30, 1968	397,518	448,386
June 30, 1970	400,163	464,284
June 30, 1972	492,219	541,888

SOURCES: Distribution of Bank Deposits by Counties and SMSA, June 15, 1960, Federal Reserve System; FDIC Summary of Accounts and Deposits In All Commercial Banks, June 30, 1966 and 1968: FDIC Summary of Deposits, June 30, 1970 and 1972.

TOTAL NUMBER OF OFFICES OF THE COMMERCIAL BANKS IN THE SPOKANE METROPOLITAN AREA

AS OF DECEMBER 31, 1971

	No. of Offices	Percent of Total
Old National Bank of Washington 1/	18 2/	39.13
First National Bank of Spokane 1/	5	10.87
Washington Bancshares, Inc.	23	50.00
Seattle - First National Bank	7	15.22
Washington Trust Bank	8	17.39
Sub Total	38	82.61
American Commercial Bank	3	6.52
Farmers and Merchants Bank	3	6.52
Pacific National Bank of Washington	2	4.35
TOTAL	46	100.00

1/ Subsidiaries of Washington Bancshares, Inc.
2/ Includes Parking Branch.

SOURCES: Documents submitted by the above banks in response to Department of Justice Subpoena and Polk's Bank Directory.

GX A-55

DISTRIBUTION OF TOTAL DEPOSITS HELD BY BANKING ORGANIZATIONS IN THE SPOKANE METROPOLITAN AREA
1966 - 1972

(dollars in thousands)

Banking Organizations	12-31-66 $	% of Total	12-31-67 $	% of Total	12-31-68 $	% of Total	12-31-69 $	% of Total	12-31-70 $	% of Total	12-31-71 $	% of Total	6-30-72 $	% of Total
Old National Bank of Washington 1/	125,534	33.1	143,376	33.4	150,852	32.6	157,236	34.8	164,652	34.1	166,824	33.3	177,798	34.6
First National Bank of Spokane 1/	30,351	8.0	33,252	7.7	37,006	8.0	34,342	7.6	37,427	7.8	40,416	8.1	38,542	7.5
Washington Bancshares, Inc.	155,885	41.1	176,628	41.1	187,858	40.6	191,578	42.4	202,079	41.9	207,240	41.4	216,340	42.1
Seattle-First National Bank	145,251	38.3	155,885	36.3	162,456	35.1	151,943	33.6	149,899	31.1	161,377	32.3	162,220	31.6
Washington Trust Bank	63,102	16.6	71,772	16.7	74,864	16.2	80,293	17.8	87,416	18.1	95,648	19.1	95,464	18.6
Sub Total	364,238	96.1	404,285	94.1	425,178	91.8	423,814	93.8	439 394	91.1	464,465	92.8	474,024	92.3
American Commercial Bank	3,552	.9	5,276	1.2	6,838	1.5	7,925	1.8	11,670	2.4	12,648	2.5	15,739	3.1
Farmers and Merchants Bank	5,593	1.5	6,442	1.5	7,539	1.6	8,824	2.0	10,837	2.2	11,708	2.3	12,558	2.5
Pacific National Bank of Washington	5,801	1.5	13,869	3.2	23,702	5.1	11,101	2.5	20,291	4.2	11,974	2.4	11,152	2.2
TOTAL	379,184	100.0	428,872	100.0	463,307	100.0	451,664	100.0	482,192	100.0	500,795	100.0	513,473	100.0

Note: Due to rounding figures may not add to totals.

1/ Subsidiaries of Washington Bancshares, Inc.

SOURCE: Documents submitted by the above banks in response to Department of Justice Subpoena.

GX A-56

DISTRIBUTION OF IPC DEMAND DEPOSITS HELD BY BANKING ORGANIZATIONS IN THE SPOKANE METROPOLITAN AREA
1966 - 1972

(dollars in thousands)

Banking Organizations	12-31-66 $	12-31-66 % of Total	12-31-67 $	12-31-67 % of Total	12-31-68 $	12-31-68 % of Total	12-31-69 $	12-31-69 % of Total	12-31-70 $	12-31-70 % of Total	12-31-71 $	12-31-71 % of Total	6-30-72 $	6-30-72 % of Total
Old National Bank of Washington 1/	54,462	31.4	62,529	32.3	65,967	33.2	70,933	35.2	67,961	33.6	67,643	32.9	72,319	34.3
First National Bank of Spokane 1/	12,543	7.2	14,754	7.6	16,706	8.4	14,573	7.2	15,245	7.5	16,249	7.9	15,491	7.4
Washington Bancshares, Inc.	67,005	38.7	77,283	39.9	82,673	41.6	85,506	42.5	83,206	41.1	83,892	40.7	87,810	41.7
Seattle - First National Bank	72,141	41.6	77,440	40.0	75,092	37.8	70,766	35.2	68,324	33.8	68,719	33.4	68,325	32.4
Washington Trust Bank	28,008	16.2	30,407	15.7	32,127	16.2	33,734	16.8	37,703	18.6	38,175	18.5	39,365	18.7
Sub Total	167,154	96.5	185,130	95.7	189,892	95.6	190,006	94.4	189,233	93.5	190,786	92.7	195,500	92.8
American Commercial Bank	1,132	.7	1,971	1.0	1,789	.9	2,664	1.3	3,456	1.7	4,539	2.2	4,874	2.3
Farmers & Merchants Bank	2,549	1.5	2,949	1.5	3,254	1.6	3,800	1.9	4,521	2.2	5,114	2.5	5,381	2.6
Pacific National Bank of Washington	2,435	1.4	3,431	1.8	3,761	1.9	4,844	2.4	5,160	2.6	5,486	2.7	5,095	2.4
TOTAL	173,270	100.0	193,481	100.0	198,696	100.0	201,314	100.0	202,370	100.0	205,905	100.0	210,750	100.0

Note: Due to rounding figures may not add to totals.

1/Subsidiaries of Washington Bancshares, Inc.

SOURCE: Documents submitted by the above banks in response to Department of Justice Subpoena.

GX A-57

DISTRIBUTION OF IPC SAVINGS DEPOSITS HELD BY BANKING ORGANIZATIONS IN THE SPOKANE METROPOLITAN AREA
1966 - 1972

(dollars in thousands)

Banking Organizations	12-31-66 $	12-31-66 % of Total	12-31-67 $	12-31-67 % of Total	12-31-68 $	12-31-68 % of Total	12-31-69 $	12-31-69 % of Total	12-31-70 $	12-31-70 % of Total	12-31-71 $	12-31-71 % of Total	6-30-72 $	6-30-72 % of Total
Old National Bank of Washington 1/	60,554	33.7	69,597	33.9	75,725	33.4	74,216	34.1	83,172	34.7	93,413	32.3	84,176	31.7
First National Bank of Spokane 1/	15,968	8.9	17,292	8.4	18,890	8.3	18,392	8.5	19,771	8.2	20,615	8.0	20,984	7.9
Washington Bancshares, Inc.	76,522	42.6	86,889	42.3	94,615	41.8	92,608	42.6	102,943	42.9	104,028	40.3	105,160	39.5
Seattle - First National Bank	62,759	34.9	69,319	33.7	78,455	34.6	68,653	31.6	74,998	31.3	83,774	32.4	86,653	32.6
Washington Trust Bank	32,692	18.2	38,520	18.8	39,360	17.4	41,418	19.0	45,175	18.8	51,710	20.0	51,926	19.5
Sub Total	171,973	95.7	194,728	94.8	212,430	93.8	202,679	93.2	223.116	93.0	239,512	92.7	243,769	91.7
American Commercial Bank	1,360	1.0	2,799	1.4	4,061	1.8	4,553	2.1	5,675	2.4	7,299	2.8	10,983	3.8
Farmers & Merchants Bank	2,611	1.6	3,250	1.6	3,988	1.8	4,633	2.1	5,363	2.2	6,070	2.4	6,765	2.6
Pacific National Bank of Washington	3,287	1.8	4,681	2.3	6,097	2.7	5,701	2.6	5,774	2.4	5,597	2.2	5,127	1.9
TOTAL	179,731	100.0	205,458	100.0	226,576	100.0	217,566	100.0	239,928	100.0	258,478	100.0	265,764	100.0

Note: Due to rounding figures may not add to totals.

1/Subsidiaries of Washington Bancshares, Inc.

Source: Documents submitted by the above banks in response to Department of Justice Subpoena.

GX A-58

DISTRIBUTION OF TOTAL LOANS HELD BY BANKING ORGANIZATIONS IN THE SPOKANE METROPOLITAN AREA
1966 - 1972
(dollars in thousands)

Banking Organizations	12-31-66 $	12-31-66 % of Total	12-31-67 $	12-31-67 % of Total	12-31-68 $	12-31-68 % of Total	12-31-69 $	12-31-69 % of Total	12-31-70 $	12-31-70 % of Total	12-31-71 $	12-31-71 % of Total	6-30-72 $	6-30-72 % of Total
Old National Bank of Washington 1/	76,924	34.3	88,599	35.8	94,078	32.4	120,594	37.1	121,472	40.4	115,512	36.2	116,022	32.0
First National Bank of Spokane 1/	17,642	7.9	20,366	8.2	25,682	8.8	24,099	7.4	24,351	8.1	26,624	8.3	28,175	7.8
Washington Bancshares, Inc.	94,566	42.1	108,965	44.0	119,760	41.2	144,693	44.6	145,823	48.5	142,136	44.5	144,197	39.8
Seattle-First National Bank	82.559	36.8	87,168	35.2	104,635	36.0	104,326	32.1	77,541	25.8	92,216	28.9	123,976	34.2
Washington Trust Bank	37,852	16.9	40,287	16.3	48,277	16.6	54,776	16.9	54,055	18.0	57,629	18.0	65,159	18.0
Sub Total	214,977	95.7	236.420	95.5	272,672	93.8	303,795	93.6	277,419	92.3	291,981	91.4	333,332	92.0
American Commercial Bank	2,760	1.2	3,076	1.2	5,176	1.8	5,986	1.8	7,563	2.5	9,571	3.0	10,077	2.8
Farmers & Merchants Bank	2,691	1.2	3,381	1.4	4,280	1.5	5,192	1.6	7,352	2.5	7,651	2.4	7,583	2.1
Pacific National Bank of Washington	4,189	1.9	4,610	1.9	8,456	2.9	9,707	3.0	8,274	2.8	10,186	3.2	11,246	3.1
TOTAL	224,617	100.0	247,487	100.0	290,584	100.0	324,680	100.0	300,608	100.0	319,389	100.0	362,238	100.0

1/Subsidiaries of Washington Bancshares, Inc.

Note: Due to rounding figures may not add to totals.

SOURCE: Documents submitted by the above banks in response to Department of Justice Subpoena.

GX A-59

DISTRIBUTION OF COMMERCIAL AND INDUSTRIAL LOANS HELD BY BANKING ORGANIZATIONS IN THE SPOKANE METROPOLITAN AREA
1966 - 1972
(dollars in thousands)

Banking Organizations	12-31-66		12-31-67		12-31-68		12-31-69		12-31-70		12-31-71		6-30-72	
	$	% of Total	$	% of Total	$	% of Total	$	% of Total	$	% of Total	$	% of Total	$	% of Total
Old National Bank of Washington 1/	28,376	25.2	34,861	26.9	33,776	22.0	38,348	23.7	36,269	26.7	41,617	26.6	38,263	20.6
First National Bank of Spokane 1/	6,117	5.4	7,616	5.9	9,363	6.1	7,723	4.8	8,032	5.9	8,881	5.7	10,325	5.6
Washington Bancshares, Inc.	34,493	30.6	42,477	32.8	43,139	28.1	46,071	28.4	44,301	32.6	50,498	32.3	48,588	26.2
Seattle-First National Bank	54,121	48.1	59,692	46.0	74,909	48.9	70,797	43.7	49,058	36.1	57,638	36.9	83,126	44.8
Washington Trust Bank	20,662	18.4	22,640	17.5	27,297	17.8	30,255	18.7	30,742	22.6	33,476	21.4	37,354	20.1
Sub Total	109,276	97.0	126,809	96.2	145,345	94.8	147,123	90.7	124,101	91.4	141,612	90.6	169,068	91.2
American Commercial Bank	1,317	1.4	1,517	1.2	2,421	1.6	5,986	3.7	3,460	2.6	4,197	2.7	4,800	2.6
Farmers & Merchants Bank	527	.5	996	.8	1,623	1.1	1,798	1.1	2,914	2.2	2,923	1.9	2,988	1.6
Pacific National Bank of Washington	1,301	1.2	2,372	1.8	3,944	2.6	7,261	4.5	5,307	3.9	7,626	4.9	8,573	4.6
TOTAL	112,621	100.0	129,694	100.0	153,333	100.0	162,168	100.0	135,782	100.0	156,323	100.0	185,429	100.0

Note: Due to rounding figures may not add to totals.

1/Subsidiaries of Washington Bancshares, Inc.

SOURCE: Documents submitted by the above banks in response to Department of Justice Subpoena.

GX A-60

TOTAL DEPOSITS OF THE BANKS IN THE SPOKANE METROPOLITAN AREA

December 31, 1966 - 1971

(1966 = 100)

	12-31-66	12-31-67	12-31-68	12-31-69	12-31-70	12-31-71
Washington Bancshares, Inc. Old National Bank of Washington 1/	100.0	114.2	120.2	125.3	131.2	132.9
First National Bank of Spokane 1/	100.0	109.6	121.9	113.1	123.3	133.2
Seattle-First National Bank	100.0	107.3	111.8	104.6	103.2	111.2
Washington Trust Bank	100.0	113.7	118.6	127.2	138.5	151.6
American Commercial Bank	100.0	148.5	192.5	223.1	328.5	356.1
Farmers & Merchants Bank	100.0	115.2	135.7	157.8	193.8	209.3
Pacific National Bank of Washington	100.0	239.1	408.6	191.4	349.8	206.4
TOTAL	100.0	113.4	122.2	119.1	127.3	132.1

1/ Subsidiaries of Washington Bancshares, Inc.

SOURCE: Documents submitted by the above banks in response to Department of Justice Subpoena.

GX A-61

IPC DEMAND DEPOSITS OF THE BANKS IN THE SPOKANE METROPOLITAN AREA

December 31, 1966 - 1971

(1966 = 100)

	12-31-66	12-31-67	12-31-68	12-31-69	12-31-70	12-31-71
Washington Bancshares, Inc.						
Old National Bank of Washington 1/	100.0	114.8	121.1	130.2	124.8	124.2
First National Bank of Spokane 1/	100.0	117.6	133.2	116.2	121.5	129.5
Seattle-First National Bank	100.0	107.3	104.1	98.1	94.7	95.3
Washington Trust Bank	100.0	108.6	114.7	120.4	134.6	136.3
American Commercial Bank	100.0	174.1	158.0	235.3	305.3	399.2
Farmers & Merchants Bank	100.0	115.7	127.7	149.1	177.4	200.6
Pacific National Bank of Washington	100.0	140.9	154.5	198.9	211.9	225.3
TOTAL	100.0	111.7	114.7	116.2	116.8	118.8

1/Subsidiaries of Washington Bancshares, Inc.

SOURCE: Documents submitted by the above banks in response to Department of Justice Subpoena.

1226

GX A-62

IPC SAVINGS DEPOSITS OF THE BANKS IN THE SPOKANE METROPOLITAN AREA

December 31, 1966 - 1971

(1965 = 100)

	12-31-66	12-31-67	12-31-68	12-31-69	12-31-70	12-31-71
Washington Bancshares, Inc.						
Old National Bank of Washington 1/	100.0	114.9	125.1	122.6	137.4	137.7
First National Bank of Spokane 1/	100.0	108.3	118.3	115.2	123.8	129.1
Seattle-First National Bank	100.0	110.5	125.0	109.4	119.5	133.5
Washington Trust Bank	100.0	117.8	120.4	126.7	138.2	158.2
American Commercial Bank	100.0	150.5	218.3	244.8	305.1	392.4
Farmers & Merchants Bank	100.0	124.5	152.7	177.4	205.4	232.5
Pacific National Bank of Washington	100.0	142.4	185.5	173.4	175.7	169.9
TOTAL	100.0	114.3	148.2	121.1	133.5	143.8

1/Subsidiaries of Washington Bancshares, Inc.

SOURCE: Documents submitted by the above banks in response to Department of Justice Subpoena.

GX A-63

TOTAL LOANS OF THE BANKS IN THE SPOKANE METROPOLITAN AREA
DECEMBER 31, 1966 - 1971

(1966 = 100)

	12-31-66	12-31-67	12-31-68	12-31-69	12-31-70	12-31-71
Washington Bancshares, Inc. Old National Bank of Washington 1/	100.0	115.2	122.3	156.8	157.9	150.2
First National Bank of Spokane 1/	100.0	115.4	145.6	136.6	128.0	150.9
Seattle-First National Bank	100.0	105.6	126.7	126.4	93.9	111.7
Washington Trust Bank	100.0	106.4	127.5	144.7	142.8	152.2
American Commercial Bank	100.0	111.4	187.5	216.9	274.0	346.8
Farmers and Merchants Bank	100.0	125.6	159.0	192.9	273.2	284.3
Pacific National Bank of Washington	100.0	110.1	201.9	233.2	197.5	243.7
TOTAL	100.0	110.2	129.4	144.5	133.3	142.2

1/ Subsidiaries of Washington Bancshares, Inc.

SOURCE: Documents submitted by the banks in response to Department of Justice Subpoena.

1228

GX A-64

COMMERCIAL AND INDUSTRIAL LOANS OF THE BANKS IN THE SPOKANE METROPOLITAN AREA
DECEMBER 31, 1966 - 1971

(1966 = 100)

	12-31-66	12-31-67	12-31-68	12-31-69	12-31-70	12-31-71
Washington Bancshares, Inc. Old National Bank of Washington 1/	100.0	122.9	119.0	135.1	127.8	146.7
First National Bank of Spokane 1/	100.0	124.5	153.1	126.3	131.3	145.2
Seattle-First National Bank	100.0	110.3	138.4	130.8	90.6	106.5
Washington Trust Bank	100.0	109.6	132.1	146.4	148.8	162.0
American Commercial Bank	100.0	100.0	159.6	394.6	228.1	276.7
Farmers and Merchants Bank	100.0	189.0	308.0	241.2	552.9	348.0
Pacific National Bank of Washington	100.0	182.3	302.2	558.1	407.9	583.2
TOTAL	100.0	115.2	136.1	144.0	120.6	138.6

1/Subsidiaries of Washington Bancshares, Inc.

SOURCE: Documents submitted by the above banks in response to Department of Justice Subpoena.

GX A-65

NET INCOME OF THE BANKS IN THE SPOKANE METROPOLITAN AREA

December 31, 1966 - 1971

	12-31-66 $	12-31-67 $	12-31-68 $	12-31-69 $	12-31-70 $	12-31-71 $
Old National Bank of Washington 1/	1,501,995	1,543,771	1,557,336	1,790,888	1,854,690	1,792,739
First National Bank of Spokane 2/	144,660	201,740	210,048	338,593	304,408	364,511
Washington Bancshares, Inc.	1,646,655	1,745,511	1,767,384	2,129,481	2,159,098	2,157,250
Seattle-First National Bank 3/	1,427,408	1,837,226	2,683,840	3,170,337	3,528,951	3,874,701
Washington Trust Bank 4/	606,167	546,332	702,639	1,012,034	488,917	634,574
American Commercial Bank 5/	27,740	4,989	78,407	42,040	116,379	132,527
Farmers & Merchants Bank 1/	11,651	36,535	64,616	52,902	103,252	102,830
Pacific National Bank of Washington 3/	(15,000)	26,000	112,000	223,000	254,000	28,000
TOTAL	3,704,621	4,196,593	5,408,886	6,629,794	6,650,597	6,932,882

1/ Net Operating Income.
2/ Net Earnings.
3/ Net Operating Earnings.
4/ Net Income After Taxes.
5/ Profit or Loss.

SOURCE: Documents submitted by the above banks in response to Federal Reserve Board Regulation Y.

GX A-66

NET INCOME OF THE BANKS IN THE SPOKANE METROPOLITAN AREA

DECEMBER 31, 1966 - 1971

(1966 = 100)

1966	$3,704,621	100.0
1967	4,196,593	113.3
1968	5,408,886	146.0
1969	6,629,794	179.0
1970	6,650,597	179.5
1971	6,932,882	187.1

SOURCE: Documents submitted by the banks in response to Department of Justice Subpoena.

GX A-67

NUMBER OF OFFICES AND TOTAL DEPOSITS HELD BY COMMERCIAL BANKS IN SEATTLE

JUNE 30, 1970

	No. of Offices	Deposits 000's	Percent of Total
Seattle - First National Bank	40	$ 710,955	39.76
National Bank of Commerce of Seattle	31	438,237	24.51
Peoples National Bank of Washington	18	212,213	11.87
Pacific National Bank of Washington 1/	13	175,788	9.83
Sub Total	102	$1,537,193	85.97
Bank of California	1	112,035	6.27
Seattle Trust & Savings	7	66,394	3.71
Canadian Imperial Bank of Commerce	1	24,736	1.38
Guaranty National Bank of White Center	2	15,092	.84
Old National Bank of Washington 2/	2	12,598	.70
Commercial Bank of Seattle	2	10,859	.61
Liberty Bank of Seattle	1	3,367	.19
Evergreen State Bank	2	3,185	.18
Continental Bank	1	2,688	.15
Sub Total	19	$ 250,944	14.03
TOTAL	121	$1,788,137	100.00

1/ National Bank of Washington, Tacoma merged with Pacific National Bank of Seattle 8-17-70, under title Pacific National Bank of Washington, head office moved from Tacoma to Seattle.

2/ Acquired North West Bank, Seattle 9-25-70.

GX A-68

NUMBER OF OFFICES AND TOTAL DEPOSITS HELD BY COMMERCIAL BANKS IN TACOMA METROPOLITAN AREA

JUNE 30, 1970

	No. of Offices	Deposits 000's	Percent of Total
Pacific National Bank of Washington - Tacoma 1/	16	$161,635	38.43
Puget Sound National Bank - Tacoma	13	145,573	34.61
Puget Sound National Bank - Fife	1	5,047	1.20
Puget Sound National Bank - Fircrest	1	3,647	.87
Bank of California - Tacoma	1	65,397	15.55
North Pacific Bank - Tacoma	2	15,092	3.59
Seattle - First National Bank - Tacoma	4	13,329	3.17
Peoples National Bank of Washington	3	10,964	2.59
	43	$420,584	100.00

1/ National Bank of Washington, Tacoma merged with Pacific National Bank of Seattle 8-17-70, under title Pacific National Bank of Washington, head office moved from Tacoma to Seattle.

SOURCE: FDIC Summary of Deposits, June 30, 1970.

GX A-69

NUMBER OF OFFICES AND TOTAL DEPOSITS HELD BY COMMERCIAL BANKS IN EVERETT METROPOLITAN AREA

JUNE 30, 1970

	Number of Offices	Deposits 000's	Percent of Total
Seattle - First National Bank - Everett	3	$ 55,528	34.88
Seattle - First National Bank - Marysville	1	11,027	6.93
Everett Trust and Savings Bank - Everett	4	46,735	29.35
Everett Trust and Savings Bank - Marysville	1	695	.44
Bank of Everett - Everett	2	14,332	9.00
Bank of Everett - Marysville	1	3,937	2.47
Peoples National Bank of Washington - Everett	1	17,237	10.83
Pacific National Bank of Washington - Everett 1/	1	6,804	4.32
National Bank of Commerce of Seattle - Mukilteo	1	2,841	1.78
	15	$159,216	100.00

1/ National Bank of Washington, Tacoma merged with Pacific National Bank of Seattle 8-17-70, under title Pacific National Bank of Washington, head office moved from Tacoma to Seattle.

SOURCE: FDIC Summary of Deposits, June 30, 1970.

GX A-70

NUMBER OF OFFICES AND TOTAL DEPOSITS HELD BY COMMERCIAL BANKS IN THE TRI CITIES (KENNEWICK-RICHLAND-PASCO) AREA

JUNE 30, 1970

	No of Offices	Deposits 000's	Percent of Total
Kennewick			
National Bank of Commerce of Seattle	1	$13,893	57.68
Seattle-First National Bank	1	6,007	24.94
Old National Bank of Washington	1	2,561	10.63
Columbia Center National Bank	1	1,624	6.74
	4	$24,085	100.00
Richland			
Seattle-First National Bank	1	18,382	57.55
National Bank of Commerce of Seattle	1	11,273	32.23
Old National Bank of Washington	1	5,325	15.22
	3	$34,980	100.00
Pasco			
Seattle-First National Bank	1	18,445	59.53
Old National Bank of Washington	2	6,318	20.41
Peoples National Bank of Washington	1	6,196	20.01
	4	$30,959	100.00
Tri City Area			
Seattle-First National Bank	3	42,834	47.58
National Bank of Commerce of Seattle	2	25.166	27.95
Old National Bank of Washington	4	14,204	15.78
Peoples National Bank of Washington	1	6,196	6.88
Columbia Center National Bank	1	1,624	1.80
	11	$90,024	100.00

SOURCE: FDIC Summery of Deposits, June 30, 1970.

GX A-71

NUMBER OF OFFICES AND TOTAL DEPOSITS HELD BY COMMERCIAL BANKS IN THE YAKIMA METROPOLITAN AREA

JUNE 30, 1970

	No. of Offices	Deposits 000's	Percent of Total
National Bank of Commerce of Seattle - Yakima	1	$37,962	31.42
Seattle - First National Bank - Yakima	3	30,397	25.17
Seattle - First National Bank - Union Gap	1	4,657	3.86
Pacific National Bank of Washington 1/ - Yakima	2	25,267	20.93
Bank of Yakima - Yakima	7	22,480	18.62
	12	$120,763	100.00

1/ National Bank of Washington, Tacoma merged with Pacific National Bank of Seattle 8-17-70, under title Pacific National Bank of Washington, head office changed from Tacoma to Seattle.

GX B-1

CREDIT MEMORANDA

NAME Security Bank Lynnwood, Washington P.O. Box 585

Branch Expansion

Date Source	Comments or Sundry Information
	* * * *
7-29-68 RFB: ws	He [Mr. W. James Howells, President] told me that Bob Young, President of the Everett Trust & Savings Bank, had recently told him that he was "coming your way," to which his response was "come ahead so long as we can compete and be friends like with NBofC at Edmonds." This apparently is his philosophy of competition.
	* * * *
	We also discussed service charges. He is moving to a 3-2-1 system which he believes will increase his profitability. He told me he grossed $92,000 on service charge income last year from which he figures he netted $62,000. He indicated, however, he was not interested in competing either on rate or on service charges.
	* * * *

GX B-2

CREDIT MEMORANDA

NAME Othello, Washington

Date Source	Comments or Sundry Information
	• • • •
2-9-51 AAH	I called Mr. Funston [Chief Examiner for the Twelfth District of the F.D.I.C.]. He had been in the office, but was out of the city, so I talked to Mr. Linder [his assistant], and gave him the background of our application, and told him under normal circumstances, where the Seattle-First and ourselves learned one had made previous application, the other would withdraw theirs. At this time, we did not have any knowledge there was an application pending and inasmuch as our application had been investigated, we preferred not to withdraw it, if it would not be embarrassing to the F.D.I.C., Comptroller, or anyone. He said it would certainly not cause any embarrassment, and he was glad to know we had an application in. He said he would write a memorandum of my call and put full details in their files, and Washington would be fully advised, so when the matter came up for consideration, they would know of our interest in this location. He seemed particularly cordial in talking to me. He thanked me for advising him.
	• • • •

GX B-3

CREDIT MEMORANDA

NAME Spokane, Old National Bank
Pomeroy, Bank of Pomeroy Ritzville State Bank

Date Source	Comments or Sundry Information
	• • • •
12-5-56 AAH: MJ	Mr. Stilson [Vice President of the Old National Bank of Spokane] mentioned that MC had been in to see AWW and later that AWW asked him about the competition against their branches. Mr. Stilson said that as far as he is concerned where they have competition he wished it was the NBofC. He said, "We would be a lot better off if they were in Ritzville than the unit bank there, and certainly the Old National would be better off if NBofC went into Pomeroy; that there would be better co-operation between two branch bank systems than where they had a unit bank as competition."
	• • • •

GX B-4

NATIONAL BANK OF COMMERCE OF SEATTLE

Spokane National Bank — Spokane, Washington

• • • •

3-29-62
RMM:LC

After visiting in Spokane this past week, it appears to me there is an air of competitive resistance toward our bank by Old National Bank and Washington Trust with reference to our closing in around the Spokane area. I was not in contact with any of the S & E boys except during the Group Meeting. Throughout our branch locations neighboring the Old National, it appears there is evidence of a stronger competition and an inclination to cut rates. My visit with the boys at Washington Trust was friendly. Fred Stanton, with his office now located upstairs, remarked that it is somewhat different to be away from the lobby traffic but he is enjoying it and possibly should have retired long ago except that he wanted to wait until Phil got a few more years experience as he wanted to leave the bank to him.

Phil has taken an aggressive position as the bank's new President and Fred remarked he was pleased to note his positive stand in conducting the loan meetings. During my visit with Phil, he indicated their bank is going to be more aggressive in every way to bring in new business accounts with the intention to offer the lowest service charges of any bank in town and to cut loan rates below the other banks. It is his feeling operating as a smaller independent bank they can do this with less cost than one of the larger branching institutions such as Seattle First, Old National or ourselves.

3-29-62
RMM: LC

It was hard for me to believe he was serious in his remarks so later on, while visiting with Don Kirkbride at his home, I asked him about it. Don was not quite sure that was Phil's intention but did admit that their operation has changed somewhat from the previous management of his father.

• • • •

GX C

February 1, 1965

Mr. R. D. Carrell
Supervisor of Banking
State of Washington
Olympia, Washington

Dear Mr. Carrell:

We are pleased to present the following information to aid you in arriving at a decision on the application of the American Commercial Bank for a Charter in downtown Spokane. We appreciate the opportunity of discussing our letter in person with you at an agreed upon time.

This application for authority to establish an independent state bank in downtown Spokane has been opposed by our bank based on facts. This merited opposition is, and has been, we firmly believe, for the good of the Spokane Community. These are brief statements supporting our belief.

The charter application was made by the incorporators and handled by the supervisor in a way which connotes to us a high degree of political overtones.

It appears that the only purpose of independent bank formation in Spokane is for sale at a later date for capital gains. Therefore, the bank is not being formed for legitimate purposes.

Further intensified financial competition in the declining Spokane economy will tend to injure present institutions and create the likelihood of failure for a newly chartered organization. The Spokane community is well served by presently chartered and operating institutions.

A careful study of the remainder of our letter and the attached exhibits, we believe, will prove that the position our bank has taken is proper and that this charter should be denied by the regulatory authorities. Much of the information provided is statistical in nature; however, it is also important to evaluate and judge other factors which are not statistical but indicate the nature of this bank application and the personalities involved in its formulation.

Our attitude is summarized under the following topical headings:

I. The necessity of Washington Trust Bank's legal proceeding to prevent the indiscriminate granting of this new charter:

A. There are political and other implications associated with this charter application as illustrated by the attached newspaper articles, letter of solicitation and subscription agreement. Please see Exhibits A, B, C and D.

B. Mr. Jack Dean, an incorporator and signer of the solicitation letter, was Eastern Washington campaign manager for ex-governor Rosellini.

C. Several other well-known Democrats were listed as incorporators and members of the board of directors of this proposed bank.

D. After we became aware of the submission of this application for charter, it became very difficult to secure information about the incorporators or the proposed board of directors from the previous supervisor. It was an apparent attempt of the supervisor to process the application quietly, and without alerting possible opponents.

E. There was very little publicity attached to the application for charter in Spokane.

F. This bank had the definite feeling that the charter was about to be "railroaded" to approval.

II. The legitimacy of the purposes from which this bank is being formed:

A. The proposed president of this proposed bank has been associated previously with other now-merged commercial banks. He was associated with the State Bank of Republic in Republic, Washington prior to its purchase by the Seattle First National Bank. He was president of Spokane National Bank of Spokane for five years prior to its sale to the National Bank of Washington in Tacoma. It appears that his history is one of bank formulation, operation, and sale.

B. Several directors of this proposed bank have been associated with previously merged banks in the immediate Spokane community. The Northwestern Bank in Spokane sold to the Seattle First National Bank in 1958, and the Spokane National Bank sold to the National Bank of Washington in 1964, are the last two independently owned and locally operated banks with which these directors were associated. The American Commercial Bank would be the third so-called independent locally owned and managed institution that these gentlemen have been members of the board of directors.

C. One proposed director has already made a contact with a Seattle bank for assistance in forming the American Commercial Bank and purchase of this bank at a later date.

D. The traditional and historical direction of small independently owned banks in the Inland Empire has been one of sale. Since 1950, thirty-five small Inland Empire banks have been sold to state wide organizations. Twenty of these banks operated in Spokane's immediate trade area. Please see Exhibit "E" for a list of all banks merged since 1950.

E. The fact of the merger of all independently chartered banks in our trade area is proof of the purpose and/or economic unfeasibility of small independent banks. From July 1, 1959 to October 1, 1964 the Spokane National Bank had a net addition to capital of $3,730.30. A small return for the investment of $750,000 for five years. Obviously, investment in bank stock of promotional institutions can only be made for capital gain in the event of a sale. Please see Exhibit "F" for the progress of Spokane National Bank for five years and three months.

III. Does the public need/require additional financial institution competition.

A. There was an increase of 45% in downtown banking offices in the last four years in Spokane. The increase in banking offices was from nine to thirteen since 1960. Two branches of the Washington Mutual Savings Bank and one branch of the First National Bank were established in downtown Spokane in the last year.

B. There are presently twenty-seven banking offices in the city of Spokane. This is a 100% increase since 1956. This was a period of time when employment was declining 5.8%, effective buying income was declining 4.1%, retail sales were declining 1.4%, and the Spokane economy was suffering through the most disappointing period in its history.

C. In the immediate downtown area of 15 square blocks there are nine banking offices, three savings and loan offices, eight mortgage lenders and eleven small loan companies. This is a total of thirty-one financial institutions in a very small geographic area. At no time in this immediate downtown area, is anyone more than one block from a banking office, and in most cases much closer. Please see Exhibit "G", a map of the downtown area.

D. The cost of checks paid on regular checking accounts is five cents per check to depositors in Spokane banks. In most of the state, including Seattle, Tacoma and even the small city of Walla Walla, the cost of each check paid is 6¢. This factor alone would indicate a high degree of competition. Although justified, expense-wise, no bank would dare raise service charges.

E. The city and county of Spokane are competitive with the other metropolitan areas of the state in regard to bank deposits per capita and per banking office. Please see Exhibit "D". Spokane bank deposits would be lower except for an unusual circumstance. Spokane banks serve many businesses in the general Spokane trade area which extends into areas of Montana, Idaho and Oregon. These businesses carry deposits in the main offices of the Spokane banks and therefore, provide a positive influence on the size of Spokane bank deposits. No other major state metropolitan area serves a geographic area as large as the Inland Empire.

F. All new services provided by commercial banks anywhere are available in Spokane. Computer business services is a new area of possible profit to banks and benefit to local businesses. The Washington Trust Bank and other local institutions compete vigorously for this business.

G. Bank deposit growth in downtown Spokane from 1960 through 1963 was at the rate of 1% per year. Please see Exhibit "I". This rate of 4.3% for four years in Spokane is an unfavorable comparison to 9.9% increase in Seattle, 9.4% increase in Tacoma and a 15.8% increase in Everett.

H. A new bank in downtown Spokane will be detrimental to the community.

1. New banks are not profitable for many years after formation. The participation in the community, in service clubs, United Crusade, and other community projects will be very minimal.

2. There will likely be no participation in the Industrial Development Corporation or in Spokane Unlimited. These organizations were formed to assist in the economic development of the Spokane area.

3. The shifting of deposited dollars, the drain on profit, and the result in failure to accumulate additional capital funds might force restricted participation of established financial institutions in many present and/or new community activities.

I. Two large state-wide institutions were introduced to downtown Spokane as competative financial institutions during 1964. The Washington Mutual Savings Bank, a state chartered organization of over 400 million, has established two branch offices in the immediate downtown area. The National Bank of Washington, purchaser of the Spokane National Bank, is a commercial bank with over 200 million in assets. These institutions are well organized, well managed, and well financed. They are new to the Spokane market place and it is evident that they will be very aggressive and competative.

How much more additional competition can Spokane absorb and still provide a high degree of safety to bank depositors. Capital accumulation, which provides depositors safety, is only possible through profits generated by strong, growing banks.

IV. The proposed American Commercial Bank may not be successful in Spokane.

A. An accepted fact is that operating cost and salaries are rising for all established banks yearly.

B. Is an experienced trained staff available and ready to go to work at the proposed bank?

C. Is the proposed new president a successful bank manager? His experience at the most recent small locally-owned independent bank, Spokane National, shows that after operation of five years and three months the profit for the entire period was $3,730.30. Please see Exhibit "C". This bank started with a total capital of $750,000. The capital was reduced substantially in the first period of operation. It was then slowly re-accumulated during the following three year period, until a net profit of $5,000 was shown at the end of 1962. From 1962 until purchased in October of 1964 the capital account actually suffered a loss. The point here, is that the intensified financial competition proved very difficult to absorb by an already established small local bank.

D. The cost of saving and time deposit dollars are now 4 to 4½%. This increase was effective on January 1 of this year. On a national average, three out of four new deposited dollars are time and savings deposits. Time dollars are even more important in Spokane banks. A substantial increase in cost will take place due to this purchase of dollars and will be very difficult to absorb by the established banks, much less, a newly formed independent bank.

E. Loan rates are not being raised despite the increase of the discount rate from 3½ to 4%. The prime rate has not been raised. In fact, long term mortgage rates have actually been reduced from 6% to approximately 5 3/4 percent on the average the past year.

F. The location selected by this proposed bank is the old office of the Lincoln First Federal Savings & Loan Association. Adjacent to this location is a new office of Washington Mutual Savings Bank. This bank is paying 4½% interest on savings deposits and will be very competitive in Spokane and in that particular physical area.

G. The National Bank of Washington is also new competition in Spokane's downtown community. This large institution will offer all banking services. It will be very aggressive in attracting deposits and providing loan money.

It is impossible to believe that the proposed bank would prosper in downtown Spokane. It is most likely that this proposed bank will find it difficult to survive in the face of rising costs, declining income, and intensive competition. The following quotation is taken from "Pratt's Letter" dated January 22, 1965.

"Deposit growth and loan demand are proving disappointing to new banks in over-banked areas. Some banks have been forced to resort to all sorts of gimmicks to beef-up deposits. Other new banks are reportedly reaching out into riskier loan areas for credits which the established banks have refused to touch."

Please refer to Exhibit "J" for a copy of Pratt's letter.

V. The resources and economy of Spokane downtown and the Spokane community may not suppo another bank.

A. There are 173 fewer firms employing ten or more people in Spokane today than there were in 1957, and there are 9,642 fewer employees in such firms. Please see Exhibit "K" f a partial list of firms that are no longer doing business in Spokane.

B. In the period 1956 through 1963 Spokane's population decreased .9% while the state population increased 13.5%. Spokane labor force decreased 3.6% while the state's labor fo jumped 9.9%. Employment dropped in Spokane 5.5% and increased in the state 8.5%. Spokane unemployment would, at the present time, be catastrophic had not a large percentage of the labor force actually left the Spokane area.

C. Retail sales and effective buying income are correct criteria used in the measurem of economic health of a community. The past eight years performance and the out-look for the coming years of Spokane's retail sales and effective buying income is very depressing From 1956 through 1963, retail sales have decreased 1.4% in relation to a state-wide increa of 17.6%. Effective buying income in the city of Spokane has dropped 4.1% while state buy ing income increased 16.6%. The other state metropolitan areas of King, Pierce and Snohom counties have done exceptionally well in comparison to Spokane and have in all but one ca exceeded the state-wide average. Perhaps these metropolitan areas can absorb newly charte banks without a detrimental affect to the community or the established banks. Spokane wil not be able to do so. Please see Exhibit "L" for comparative figures of retail sales and effective buying income for the metropolitan areas for the state of Washington.

D. A method of measuring the central business district health of a metropolitan city is to compare vacancy ratios of central business district office buildings over a period o years. The vacancy ratio of downtown office buildings in Spokane has increased from 2.3% in 1956 to 12.0% in 1963. The most recent figure for 1964 is September's total of 13.8%. Please see Exhibit "M".

E. Spokane's Building Owners & Managers Association have a count taken of downtown pedestrian traffic twice each year. From the September 1956 survey until the September 19 survey, the number of pedestrians in downtown Spokane declined 29%. 21.4% of this decline took place from 1960 to 1964. Certainly this accelerating drop in pedestrain traffic in downtown Spokane would indicate a major reason for the unnecessary addition of another dow town commercial bank. During the last four years while the pedestrain traffic declined 21 the number of commercial banks increased 45%. Please see Exhibit "N".

Mr. Kelly, proposed president of the proposed State Bank, quoted numerous statistics in open hearing conducted in Spokane in an attempt to justify the establishment of the American Commercial Bank. We raise several questions as follows in regard to this justification:

1. Mr. Kelly stated that there were many bankable loans that were going unserviced in Spokane. Our bank is of the opinion that there is a dearth of good bankable loans to be made at the present time. We are having a difficult time, at present, to increase our loans to deposit ratio in an attempt to off-set the higher cost of deposit dollars and operating expenses. An unsolicited letter is attached as Exhibit "I" as a partial answer to Mr. Kelly's comment.

2. Mr. Kelly made several inaccurate statements in this hearing in regard to Spokane city bank deposits.

a. He stated that the five commercial banks had deposits of 322 million dollars in Spokane and that this figure was "strictly within the city limits of Spokane." This was not correct. The deposit figure is for the county of Spokane which includes outlying communities of Cheney, Dishman, Millwood, Opportunity, Greenacres, and several other smaller towns.

b. The meaningful figure is for deposits in the central business district of Spokane which is 245 million dollars. This is the district that the American Commercial Bank would operate in and compete for deposit dollars and loans.

3. Mr. Kelly submitted figures that showed substantial capital and deposit growth for the banking groups within the city limits of Spokane over a five year period. A review of Mr. Kelly's figures showed that the totals submitted included the state-wide totals for the banks doing business in the city of Spokane. These banks are the Seattle First National Bank, The National Bank of Washington and the Old National Bank. These state-wide figures are completely irrelevant in showing any growth in the city of Spokane. As we have previously stated, the growth in Spokane has been minor, and in one instance there was a negative deposit growth in the period 1960-63.

4. Mr. Kelly stated that deposits grew at the rate of 2% per year in Spokane. He did not state what institutions this figure referred to or over what period of years. He did state that the 10 million dollars the proposed bank would develop would have no affect on the established banks. He also stated that the 10 million dollars would develop in a short number of years. Certainly the performance of the Spokane National Bank in developing some 5 million dollars in deposits in over five years at a time when banking competition was less intensive would not be a good indication that Mr. Kelly's forecast was accurate or based on fact.

5. An attempt was made by Mr. Kelly to prove Spokane was under-banked. His proof consisted of comparing bank deposits with the number of different bank names in cities throughout the state of Washington. This fact has absolutely nothing to do with the proof of whether a community is under-banked or over-banked. The only meaningful figure might be a comparison of total bank deposits with the number of banking offices existing in the community. Mr. Kelly made no reference to this type of statistic.

Mr. Kelly and the former chairman of the board of the North Western Bank of Spokane, a state bank purchased by Seattle First National in 1958, attempted to utilize the concept of benefits of a dual banking system in Spokane as another lever to seek approval for their charter application. A national state to national bank ratio has absolutely no meaning in the evaluation of the necessity of a state bank in Spokane. We could not but agree that state banks are beneficial; however, the state regulatory officials would have to grant eight state charters to Spokane applicants to bring about a favorable ratio in Spokane as compared to national averages. The "American Bank Reporter" of 1911 lists 12 small independent locally owned banks in Spokane. A review of the present status of these 12 banks shows that five went broke, four were merged with larger institutions, and three are still independ

banks left in the Spokane community. This demonstrates the fallacy of the argument of the proponents that there should be numerous small independent banks when considered in the light of protection to the public.

As a conclusion of our statements, we would like to quote Mr. James Brennen, president of First National Bank in Spokane, in his report to stockholders for 1964.

> "During 1964, however, some disturbing elements appeared on the local banking scene. Certainly, the sale of two local financial institutions to outside banking interests has continued the trend toward intensified competition. At the time of this writing an additional bank charter application is pending before the State Bank Supervisor. By year-end, Spokane banks had adjusted the savings interest rates upward substantially. To meet this competition, First National now offers three savings programs which we feel will meet the needs of any savings depositor."
>
> "Although interest rates have increased substantially as an expense, no firm adjustment in interest rates on loans and investments has yet appeared or is necessarily in sight. As a result, we have maintained an unusually high degree of liquidity. This tends to depress operating earnings; however, the best interests of both the safety of depositors funds and the soundness of the stockholders investment in the bank this course of action has been deemed advisable at the present time."
>
> "It is becoming increasingly evident that the profits per deposit dollar will decline in the banking industry. This is the result of several factors, a few of which have been mentioned above."

We are convinced that national and state regulatory officials have an obligation to the community and the bank depositors of Spokane to maintain and, if possible to increase the strength of existing financial institutions. To dilute the strength of these financial institutions in the face of the declining economy will be detrimental to all.

We respectfully request the State Supervisor of Banking to deny the pending charter application for the American Commercial Bank.

Very truly yours,

W. K. Scarwell, Jr.
Vice President and Secretary

WKS:bl

EXHIBIT A

[Chronicle 1-20-65]

Probe Ordered Into Banking, Loan Permits

OLYMPIA (AP)—William E. Schneider, new director of the Department of General Administration, ordered a complete investigation today into the heavy number of licenses granted for branch banks and small loan companies during the dying days of former Gov. Albert D. Rosellini's administration.

Schneider emphasized that his preliminary investigation has shown nothing to indicate that the granting of the licenses was not in order.

But, he added, "it seems extremely odd" that 18 charters for branch banks were issued in 1964 compared to only six in 1963, five in 1962, four in 1961 and six in 1960.

He said it was "peculiar" that 16 of the 18 issued in 1964 and the first part of 1965 were issued after Nov. 6 when results of the election were known.

He said five of the 16 were granted Jan. 12, the last full day of the former Democratic administration.

Schneider said some of the applications had been pending two years.

Schneider said 46 small loan licenses were issued in 1964 as compared to 13 in 1963, 14 in 1962, 10 in 1961 and six in 1960. He said 33 of the 46 in 1964 and first few days of this year were issued since Nov. 6.

Schneider announced his investigation after two Republican senators, Marshall Neill of Pullman and John Ryder of Seattle, called for a probe into the last minute granting of charters.

Schneider said branch bank charters authorized since the November election included: Washington Mutual Savings Bank, Seattle, for Citizens Branch at North 126 Wall St., Spokane, a branch in Pullman, and a branch at West 600 Sprague Ave., Spokane.

Small loan licenses issued included in 1964:

Associates Loan Co., Spokane and Franklin Finance Co., Spokane.

Applications approved for small loan licenses but not yet issued include: Werner Rosenquist (Able Finance Co.), Spokane, and Fairway Finance, Spokane.

EXHIBIT B

SMAN-REVIEW

E Sunday, January 24, 1935.

THE SPOKESMAN-REVIEW PLATFORM

1. Claims the maxim, "To be prepared for war is one of the most effectual means of preserving peace."
2. Held down the cost of local government and eliminate federal spending on non-essentials.
3. Make no foreign commitments without congressional approval.
4. Favors reclamation of the Columbia basin.
5. Protect the two-party system and preserves representative government in home.

Bank, Loan Permit Inquiry Is Needed

Results of the investigation ordered this week into the heavy number of licenses granted for branch banks and small loan companies during the dying days of ex-Gov. Albert D. Rosellini's administration will be awaited with interest by many Washington residents.

In announcing the probe William E. Schneider, new director of the Department of General Administration, observed that 16 charters for branch banks were issued in 1934, compared with only six in 1933, five in 1932, four in 1931 and six in 1930.

All but two of the 16 charters were issued after the Nov. 3 election results were known, Schneider said, and five of the 16 charters were granted Jan. 12, the last full day of the Rosellini administration. Some of the applications had been pending two years.

The General Administration director pointed out that 45 small loan licenses were issued in 1934, compared with 13 in 1933, 14 in 1932, 10 in 1931 and six in 1930, and that 38 of the 45 were issued following the November election.

State Sens. Marshall Neill, R-Pullman, and John Ryder, R-Seattle, requested the probe prior to Schneider's announcement. The administration deserves commendation for its prompt attention to the matter. Such a probe is warranted to resolve any question surrounding the granting of the permits.

Whatever else the investigation may show, it no doubt will reveal the need for prompt consideration and decision on such applications. A delay of two years in acting upon such requests would seem unwarranted.

EXHIBIT C

Re: AMERICAN COMMERCIAL BANK
(In Organization)
At Spokane, Washington

As you probably know, a new independent state bank is being started in Spokane by a group of local citizens and business men. The organizers would like to have the stock of the new bank held as widely as possible with no one shareholder owning more than five per cent of the outstanding capital stock of the bank, and we would like to have more than one thousand shareholders. Traditionally, bank stocks have been an excellent investment and the greatest gains have been made by those who have invested in a new bank at its beginning.

We hope to sell the stock where it will do the most good for the bank, to those people who will be depositors of the bank and conduct business with it. The AMERICAN COMMERCIAL BANK is being capitalized for $1,010,100.00 consisting of 70,000 shares having a par value of $10.00 per share, plus a surplus account, an undivided profit account and an expense account. The stock will sell for $15.00 per share. There is no minimum amount of stock that may be purchased, but it is our hope that for each share that is purchased we will have pledged $100.00 to deposits.

Those who would like to be included in the new bank should fill out the enclosed subscription form and return it in the enclosed envelope. Unfortunately, there is no guarantee that you will be allocated the stock requested as the board of directors reserves the right to allocate the stock depending upon the total subscriptions and the needs of the bank.

It is not necessary that the stock ordered be paid for at this time, but subscribers should be prepared to pay for same within thirty (30) days or when requested. If you wish you may enclose your check for a portion or all of the stock requested and if organization is not completed or all stock requested is not allocated, any overpayment will be refunded. Make checks payable to "Trustee, American Commercial Bank."

If you have any question, please do not hesitate to call the undersigned for clarification, or call MA 4-8222.

Very truly yours,

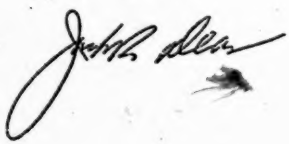


EXHIBIT D

FOR OFFICE USE

Source _____ No. Requested _____

Complete _____ Date Received _____ Approved ____ Shares

AMERICAN COMMERCIAL BANK SUBSCRIPTION AGREEMENT

The undersigned does hereby subscribe to purchase shares of stock in AMERICAN COMMERCIAL BANK to be incorporated under the laws of the State of Washington, RCW 30.08, which bank is being organized with an authorized capital of $1,010,100 consisting of capital stock in the sum of $700,000 divided into 70,000 shares of common stock having a par value of $10 per share, plus a surplus of $210,000, and an undivided profit account of $100,100, and an incorporating expense account in the sum of $39,900, and the purchase price of the stock is the sum of $15 per share. Said bank shall be incorporated in the City of Spokane, Spokane County, Washington, and shall engage in the general commercial banking business.

Stock per share	$10.00
To surplus	3.00
To undivided profit	1.43
To expense	.57
Total price	$15.00

NAME: _____ BUSINESS NAME _____

Type of Business _____ Position held _____

Business Address _____ Phone _____

Home Address _____ Phone _____

The undersigned subscribes for share in the bank; said bank to be incorporated under the laws of the State of Washington, RCW 30.08.

Number of shares of Capital Stock requested _____ @ $15.00 $ _____ Check enclosed

Stock should be registered in the name of: _____

I am in a position to influence or direct deposits with the Bank in the following approximate amounts: (your name first)

DEMAND ACCOUNTS:

	NAME	TYPE OF BUSINESS	AMOUNT
1.			
2.			
3.			
4.			
		TOTAL	

TIME ACCOUNTS:

1.			
2.			
3.			
4.			
		TOTAL	

The incorporators reserve distretionery right to sell, allocate, or pro-rate the amount of stock subscribed for, depending in part on the capital requirements of the Supervisor of Banking and the Federal Deposit Insurance Corporation and on the total subscriptions received. It is expected that the subscribers and shareholders will not only be customers of the Bank, but also will help publicize the Bank. The Bank is not being organized as a speculation venture, but as a continuing asset to the community. State law prohibits a sale of a state bank for at least ten years.

The above information will be held in strictest confidence. AMERICAN COMMERCIAL BANK directors will expect strong support from stockholders. Accordingly, the above information is needed to properly evaluate your request. All capital funds will be deposited in a trust account pending final approval.

DATE: _____ APPLICANT'S SIGNATURE: _____

Return to: 605 Old National Bank Building, Spokane, Washington

EXHIBIT E

EASTERN WASHINGTON
CHARTERED AND MERGED BANKS
SINCE 1950

BANK NAME	YEAR CONSOLIDATED	BANK CONSOLIDATED WITH
*Quincy Valley State Bank	1950	NBC
Citizens State Bank, Omak	1950	SFNB
*Odessa State Bank	1951	SFNB
*Guaranty State Bank, Colville	1951	NBC
Citizens Bank of College Place	1952	NBC
*Warden State Bank	1952	GCSB
Miners & Merchants Bank, Chelan	1953	SFNB
*Spokane Valley State Bank of Millwood	1953	SFNB
*Grant County State Bank, Ephrata	1953	PNB
*Othello State Bank	1954	PNB
*Farmers State Bank, Newport	1954	NBC
First National Bank of Waitsburg	1955	NBC
Leavenworth State Bank	1955	SFNB
Yakima Valley Bank, Sunnyside	1955	SFNB
*Elsbman State Bank	1955	SFNB
*State Bank of Clarkston	1956	NBC
West Side National Bank of Yakima	1956	NBW
Naches State Bank	1956	NBW
Selah State Bank	1956	NBW
*Broughton National Bank of Dayton	1957	NBC
*Bank of Pomeroy	1957	NBC
*Central Washington Bank, Moses Lake	1957	PNB
Washington National Bank of Ellensburg	1957	NBW
*Farmers & Merchants Bank, Deer Park	1958	NBC
*North Western Bank, Spokane	1958	SFNB
Bonnewick First National Bank	1959	SFNB
*Kittsville State Bank	1959	NBC
*State Bank of Republic	1960	SFNB
Walla Walla National Bank	1961	ONB
Mid Columbia Bank of Pasco	1962	PNB
*Security State Bank, Colton	1963	OIB
Bank of Endicott	1964	NBW
Tri-Cities National Bank, Pasco	1964	OIB
*First National Bank of Pullman	1964	OIB
*Spokane National Bank	1964	NBW

* - In Spokane and immediate trade area.

Abbreviations:

NBC - National Bank of Commerce, Seattle
SFNB - Seattle-First National Bank, Seattle
GCSB - Grant County State Bank, Ephrata
PNB - Peoples National Bank, Seattle
NBW - National Bank of Washington, Tacoma
ONB - Old National Bank, Spokane

EXHIBIT F

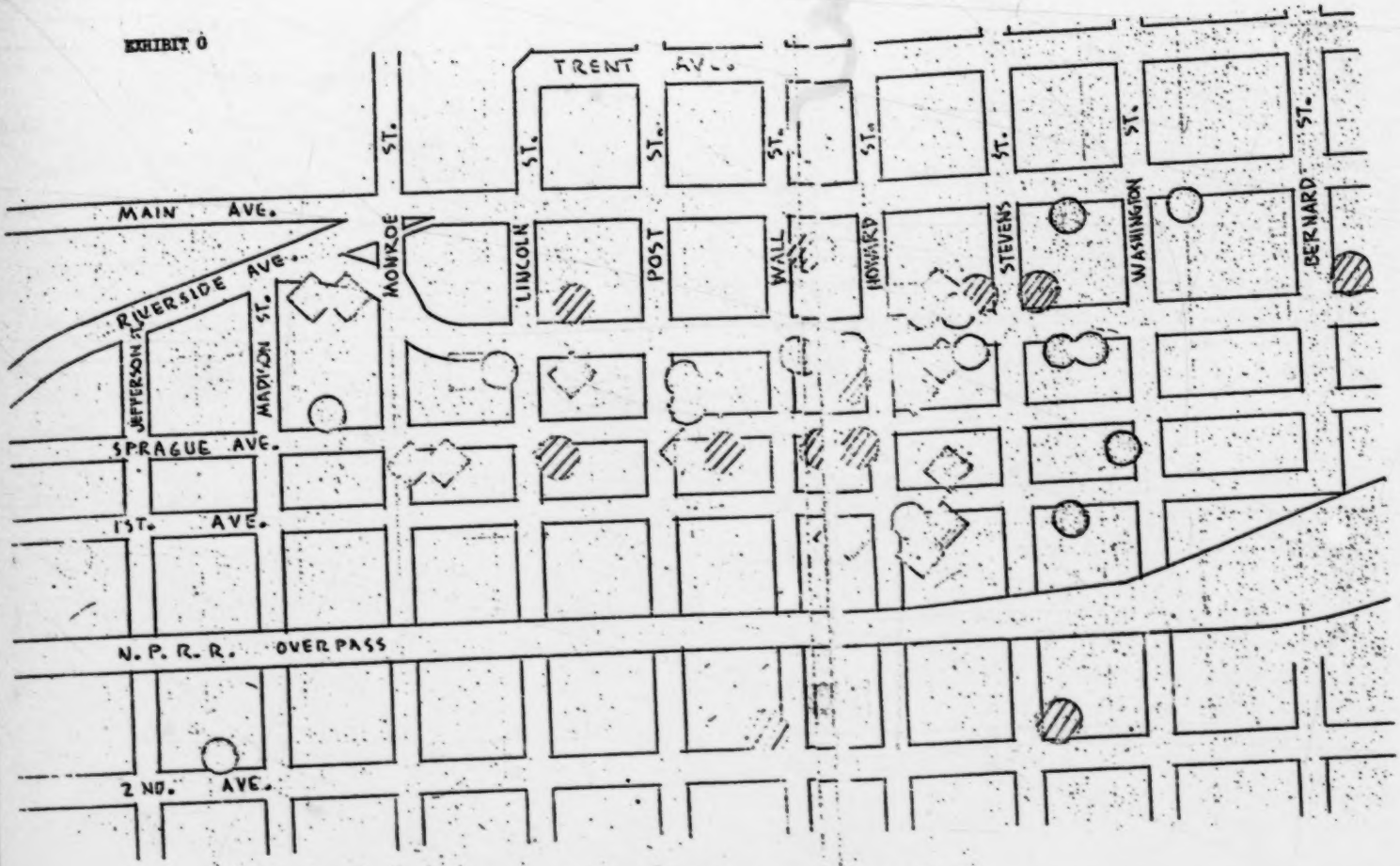
SPOKANE NATIONAL BANK - CAPITAL ACCOUNT

-in thousands of dollars-

Date	Capital Stock	Surplus	Undivided Profits	Total
7-1-59 (formed)	500.	150.	100.	750.
12-31-59	500.	150.	59.	709.
12-31-60	500.	150.	63.	713.
12-31-61	500.	150.	80.	730.
12-31-62	500.	150.	105.	755.
12-31-63	500.	150.	98.	748.
10-1-64 (purchased)	500.	150.	103,730.30	753,730.30

CAPITAL ACCOUNT	10-1-64	$753,730.30
CAPITAL ACCOUNT	7-1-59	750,000.00
INCREASE - 5 YEARS 3 MONTHS		3,730.30

EXHIBIT O



PARTIAL MAP: DOWN TOWN SPOKANE

NOT TO SCALE

SAVINGS AND LOAN

MORTGAGE LENDERS

BANKS

SMALL LOAN COMPANIES

EXHIBIT H

BANK DEPOSITS, DECEMBER 31, 1963

	PER CAPITA 1963	PER BANKING OFFICE (000 omitted) 1963
City of:		
Spokane	1599.	12,284.
Everett	1726.	10,786.
Seattle	2349.	15,255.
Tacoma	1502.	9,795.
County of:		
Spokane	1118.	8,802.
Snohomish	744.	6,568.
King	1490.	11,635.
Pierce	943.	9,039.

EXHIBIT I

DEPOSITS HELD BY COMMERCIAL BANKS IN
CENTRAL BUSINESS DISTRICT OF SPOKANE

-in thousands-

	1963	1960	Percent Increase
First National (includes Drive-In)	$ 26,392.	$ 26,232.	.6
Old National Bank			
Main Office (includes Parking Branch)	70,033.	65,028.	7.8
First Avenue	2,544.	2,525.	.75
Spokane & Eastern Branch Seattle First National Bank	96,072.	93,140.	3.1
Spokane National Bank (now National Bank of Washington)	4,284.	1,984.	114.
Washington Trust Bank (includes 4 branches out of CBD of Spokane)	46,422.	46,711.	- .6
TOTAL	$ 245,807.	$ 235,620.	4.3

EXHIBIT J

be years of "program initiation." Johnson's second term will be one of implementation, consolidation and refinement of the programs that he is able to wheel and deal thru the 89th and 90th Congresses.

Popcorn in reverse: Never one to do things half way, the Comptroller is killing off bank charter applications like flies.

Criticism of Saxon's free and easy chartering policies had been on the rise for months. It's an old bureaucratic strategem to "window dress" statistics by dramatization of contrary actions in the face of criticism. The total number of charter registrations for the year probably won't be as great as they have been in the past 30 days...but they will be 'way down from 1962-63.

There are impelling reasons for a tightening up on bank charters... tho it isn't something that the supervisory agencies at either the national or State level want to talk about. In some areas which have been permitted to become over-banked a charter is no longer a surefire road to capital gains for the organizers...or a permanent place in the banking sun.

Deposit growth and loan demand are proving disappointing to new banks in over-banked areas. Some banks have been forced to resort to all sorts of gimmicks to beef up deposits. Other new banks are reportedly reaching out into riskier loan areas for credits which the established banks have refused to touch.

There are also reports of instances where the supervisors have quietly appealed to older and larger banks to give new banks a hand before they had to be placed in the "problem" bank category.

There are hints that the granting of branches, which are largely collection stations to some banks, has been little more than a cover-up for erroneous estimates by the organizers and supervisors as to the public need and growth potential of the newly chartered bank. By reaching out thru the branch route these banks have been able to corral deposits that failed to materialize at the main office.

FHA is launching a concerted effort to bring its mortgage insurance program to all small communities...no matter how remote or isolated. FHA thinks there is substantial unsatisfied demand for mortgage credit in this area and is out to meet it...thru an expansion of its certified agency program.

FHA insuring offices are under instructions to meet with approved mortgagees, brokers, builders, etc. in small towns to familiarize them with FHA procedures. They will also offer detailed assistance in the preparation and submission of applications, train mortgagees and builders in FHA requirements.

Stimulating lender interest is the guts of the program. The Federal National Mtg. Assn. will backstop FHA by providing a secondary mortgage market for this paper. FarmHA is also being called upon to help FHA expand its operations in rural areas.

FHA is also initiating a number of procedural changes to speed up the processing of loan applications in small communities and to establish new compliance procedures which will permit continued construction without builders waiting around for FHA inspectors. Dual appraisal-inspector positions are to be established in remote communities where the work load warrants it. Fee appraisal assignments will be expanded.

Relaxed standards for Sec. 203(i) and Sec. 221(d)(2) operations will permit acceptance of many of these properties where FHA decides it isn't practicable to insist on its minimum property standards.

The super-abundance of mortgage money assures the success of this

EXHIBIT K

PARTIAL LIST OF FIRMS AND EMPLOYEES
LEAVING SPOKANE'S ECONOMY

FIRM NAME	Number of EMPLOYEES
True Oil Company	30
Garrett Freightlines	38
Pacific Northwest Bell	396
General Telephone	200 (Approximately)
Standard Oil Company	143
United Trucklines	177
Rena Ware Distributors	125
Great Northern Railway	449
Nort ern Pacific Railroad	100
Milwaukee Railroad	73
Sick's Rainier Brewery	101
General Mills	176
Phillips Petroleum	104
Bohemian Brewery	60
Minneapolis & Ontario Paper	35
Idaho Pine Mills	30
Pacific Northwest Alloy	298
Diamond National Corporation	10
Beard & Co.	24

EXHIBIT L

POPULATION, LABOR FORCE, AND EMPLOYMENT

(in thousands)

	1956	1963	Percent Change
POPULATION:			
City	186.0	184.1	-.9
State	2,676.0	3,038.6	+13.5
LABOR FORCE			
County	98.7	95.1	-3.6
State	1025.5	1129.3	+9.9
EMPLOYMENT			
County	94.2	89.0	-5.5
State	977.1	1,060.3	+8.5

Source: Employment Security Department, State of Washington

EXHIBIT M

RETAIL SALES

Corrected for price change*

- in millions of dollars -

	1956	1963	Percent Change
Spokane - City	260.8	257.2	-1.4
Spokane - County	299.2	313.1	+4.6
State	2780.0	3269.1	+17.6
King	999.5	1294.8	+29.6
Pierce	284.2	325.1	+14.4
Snohomish	122.7	165.9	+35.2

EFFECTIVE BUYING INCOME

Corrected for price changes *

Spokane - City	342.1	328.6	-4.1
Spokane - County	460.0	488.1	+6.1
State	4419.7	5153.8	+16.6
King	1512.0	2091.9	+38.4
Pierce	497.1	551.9	11.0
Snohomish	197.3	286.2	45.1

*Based on the Consumer Price Index (1947-1949 = 100)
Averaged 116.2 in 1956 and 132.0 in 1963

Source: Sales Management, Survey of Buying Power

EXHIBIT N

VACANCY RATIO

For Downtown Office Buildings

	1956	1963	1964
Spokane	2.9%	12.0%	18.6%*
Seattle	4.4%	7.6%	N/A

* The latest month of September, 1964.

Source: Building Owners and Managers Association.

EXHIBIT O

NUMBER OF PEDESTRIANS
IN SPOKANE CENTRAL BUSINESS
DISTRICT

September 19, 1956		40,036
September 21, 1960		34,780
September 16, 1964		28,652
Percentage decrease:	1956 to 1960	-13.1
	1960 to 1964	-21.4
	1956 to 1964	-29.0

SOURCE: Spokane Building Owners and Managers Association

EXHIBIT P

R. J. MARTIN & CO.
Insurance
Mortgage Loans

Paulsen Building
Spokane, Washington 99201

January 8, 1965

Mr. Philip H. Stanton, President
Washington Trust Bank
West 715 Sprague Avenue
Spokane, Washington

Dear Phil:

Spokane does not need another commercial bank, and I think you should know that others in the financial community agree with your opposition to it.

As an officer of R. J. Martin Mortgage Co. for a number of years, and the former President of Great Northwest Life Insurance Co. of Spokane where I personally handled the mortgage loans, I think I have had sufficient experience to judge the competition in the market for residential and commercial mortgages, automobile loans, and certain other types of chattel financing.

Any good loan can quickly be placed with the facilities now in Spokane, and due to the economy here good loans are not as plentiful as they used to be. A poor loan is shopped around. Another commercial bank will only diminish the number of good loans which any of us will see, making it more difficult for those with marginal loans to find any market. Nobody can accept marginal loans without having a book of good loans to offset them. Rather than improve conditions for borrowers in Spokane, in my opinion another commercial bank may have the opposite effect.

May I urge you to continue to oppose the formation of another bank in Spokane. You may use this letter, which has come to you wholly unsolicited, for whatever purpose you think it may serve.

Sincerely yours,

s/Robert Ogden

C. Robert Ogden
Vice President

CRO/mh

GX D-1

WASHINGTON TRUST BANK
REPORT TO STOCKHOLDERS

January 27, 1972

THE ECONOMY IN GENERAL

Review of 1971:

• • • •

Spokane county has held the gains achieved during five years of healthy growth from 1965 through 1970 despite reduced activity in manufacturing industries. General business activity can be described as nothing less than very good. Compared with last year, department store sales are up 11%, bank debits 20%, and housing starts at an impressive 48%.

• • • •

GX D-2

Mar. 20, 1972

INTEROFFICE CORRESPONDENCE
Corr 600 R 2/70 E-75-1

FROM Mortgage Loan Department Branch Main

SUBJECT Farwest Securities Company

DATE March 17, 1972

THE NATIONAL BANK OF COMMERCE
of Seattle

TO Mr. Robert C. Cummings
Vice President
Business Development
Head Office Administration

• • • •

In 1970 and 1971 two advances were made to Farwest to finance the construction of two FHA insured apartment projects. These were approved on December 24, 1970 after having been declined on December 18, 1970. The application was made by Mr. Rosamond who made two or more trips in this connection. While these projects were under construction, Mr. Matson of this office made a trip to inspect them. During a trip to Spokane last fall, I visited the company's office and also inspected one of the above projects in Moscow, Idaho. These visits were for the purpose of properly supervising the loans rather than to seek additional business. I do not believe we can afford to finance a mortgage company operating in the Spokane Valley from Seattle.

/s/ Robert B. Woodworth
ROBERT B. WOODWORTH
Vice President

RBW:lt

GX D-3

INFORMATION MEMORANDA

NAME Washington Trust Bank
Spokane, Washington BRANCH

Date Source	Comments or Sundry Information
	* * * *
4/12/71 FAA: rgm	The potential of acquiring new correspondent bank relationships in Montana is in my estimation very good. Considering our merger with Washington Trust Bank we should plan to devote some time now on the banks in Montana to develop correspondent bank relationships.
	* * * *

GX D-4

INTEROFFICE CORRESPONDENCE
Corr 600 R 2/70 E-75-1

FROM Medical Lake Branch
SUBJECT Washington Trust Merger
DATE December 17, 1971

THE NATIONAL BANK OF COMMERCE
of Seattle

TO Mr. Maurice J. Santi
Senior Vice President
Head Office

Dear Mr. Santi:

The two representatives from the Controllers Department, who you sent over to see me, stopped by the branch on December 9, 1971.

We discussed the following items:

• • • •

2. The fact that many of our customers from Seattle moving into this area are unable to find one of our branches close to Spokane to transfer to.

• • • •

Sincerely,

/s/ R. J. Cook
R. J. Cook
Manager

vp

GX D-5

Corr 610 R60

NATIONAL BANK OF COMMERCE OF SEATTLE

International Banking

Spokane

November 27, 1970

Dr. Jerry W. Ralston
International Economist
International Banking
Head Office

• • • •

Merchandisers Unlimited, we know, sells open account to England in Sterling and Sterling sales exceed $1-million per year, much of it placed with Washington and Oregon banks in forward sales contracts. Through our contacts, we have made four forward purchases in the last 1½ years. I believe we could do much more if we were located in Spokane, and I know the company has a poor opinion of Spokane and Eastern's expertise in the international field. I was told the Bank of Washington recalled its international man to Tacoma from the Spokane branch. Old National Bank does not have the expertise and has leaned on us for many years. One of its customers, R. A. Hanson Company, makes canal digging machinery and has substantial exports. On one occasion, the Old National sent its Vice President to spend a day with us in Seattle to get our help in putting together an export sale and financing on a sale to Argentina. Old National, the neophite, got the financing in competition with Bank of Washington's two international men from Tacoma.

• • • •

Sincerely,

/s/ Henry W. Malins
HENRY W. MALINS
Assistant Manager

HWM:ad

GX D-6

MARINE BANCORPORATION AND THE NATIONAL BANK OF COMMERCE OF SEATTLE

ANNUAL REPORT 1970

• • • •

MARINE BANCORPORATION
1100 Second Avenue
Seattle

ANDREW PRICE, JR.
President

• • • •

It was announced late in the year that the bank was within sight of one of its long-sought goals; representation in the city of Spokane where we presently have no offices. Spokane is located about 280 miles east of Seattle and is the business capital of an extensive and highly productive area. Directors of Washington Trust Bank of Spokane, the National Bank of Commerce, and Marine Bancorporation, have approved the signing of an agreement which is intended to bring the two banks together. The merger would add eight Spokane area offices to the two small offices the National Bank of Commerce already operates in rural Spokane County. It will give the bank excellent coverage of Washington's second largest city and should be beneficial to customers of both banks. In addition, NBofC would gain the services of a fine staff of professional officers and employees who are highly regarded throughout the inland empire of Eastern Washington, Northern Idaho, and Western Montana.

• • • •

/s/ Andrew Price, Jr.
ANDREW PRICE, JR.
President

January 30, 1971

• • • •

THE NATIONAL BANK OF COMMERCE
OF SEATTLE
Head Office • Seattle, Washington

MAXWELL CARLSON
President

• • • •

The Washington Trust Bank, established in 1902, is one of the leading banks in Spokane with eight offices and 1970 year-end deposits of $87,346,140. The National Bank of Commerce is not represented in Spokane and is forbidden by state law from entering Spokane except through merger with an existing bank. A wider range of domestic and international financial services will be made available to individuals and businesses in the Spokane area when the resources of the two banks are consolidated.

• • • •

Respectfully submitted,

/s/ Maxwell Carlson
MAXWELL CARLSON
President

January 28, 1971

• • • •

GX F-1 & F-2

INFORMATION MEMORANDA

NAME Washington Trust Bank Spokane BRANCH

Date Source	Comments or Sundry Information
	* * * *
6/11/71 TRF:lap	We do not wish to spread the word around inside or outside the bank that we are having a hearing. In reply to any questions, we should merely say that these things take a long time and we are hopeful that the matter can be consummated before the end of summer or early fall. Our response to questions about the regulatory bodies should be something to the effect that we didn't expect the Justice Department to be enthused and the letters were about what we anticipated.
	* * * *

GX F-23

CARLSON DEP. EX. 2

CREDIT MEMORANDA

NAME Philip H. Stanton Spokane, Wash.

Date Source	Comments or Sundry Information
	• • • •
11/15/68 MC:lap	Phil [Stanton] recognizes the changes taking place in California and volunteered that he expected us to be in Spokane some day.
	• • • •

GX F-25

CREDIT MEMORANDA

CONFIDENTIAL

NAME Washington Trust Bank Spokane

Date Source	Comments or Sundry Information
	* * * *
11/2/61 MC:lp	Thereupon, I thought it well to express the opinion again to Fred Stanton that I hoped his son, Phil, and Andrew [Price, Jr.] could and would get together in the not too distant future and pool their mutual interests in the banking business because I thought both of them could work well together as partners.
	* * * *

GX F-26

CREDIT MEMORANDA

NAME Washington Trust Bank Spokane

Date Source	Comments or Sundry Information
11/2/61 MC:lp	Looking at me, he [Fred Stanton] said that some day the National Bank of Commerce will be in Spokane and we will be friendly competitors. It was a very personal conversation and I was complimented that he would tell me about his plans before he had even approached his directors.

* * * *

GX F-27

CREDIT MEMORANDA

Confidential

NAME Washington Trust Bank

Date Source	Comments or Sundry Information
	* * * *
5/4/61 MC:lp	Knowing Fred Stanton well enough, I took the opportunity to question the wisdom of tying Phil Stanton's hands if some day the son and other members of the family should wish to dispose of the bank. Fred Stanton thereupon smiled and admitted the validity of my observation indicating that to some extent he has been waving his arms probably for effect in connection with the Federal Estate Tax negotiations. Fred Stanton's reference to the future of the bank that it is not for sale, gave me the opportunity to say in the presence of both the father and son that the National Bank of Commerce never interfered with the independence of any bank but some day we expected to be in Spokane and I would not be honest with him if I did not take the opportunity to go on record now that if they should ever decide to sell, the National Bank of Commerce would be disappointed if we were not given the first opportunity to negotiate. I told Fred Stanton that as a matter of fact for a long time I had hoped Phil Stanton and Andrew Price, Jr., might get together some day and join forces. However, until they were ready to make a change, we would continue to render the best service in every way that we possibly could as one of their principal correspondents.

GX F-29

CREDIT MEMORANDA

NAME Washington Trust Bank Spokane, Washington

Date Source	Comments or Sundry Information
	• • • •
3-25-55 RMM	I asked him [Bill Scammell, vice president of the Washington Trust Bank] how he would feel if our bank were to come into the Spokane area and he remarked that they would not object as they would like to have us as a competitor and that they have always welcomed competition. I assured him that if such a union would ever come into being that they could be well assured that they would find the National Bank of Commerce most cooperative and they would be one of the first to be informed if we made any changes affecting both banks. I jokingly added that it may be at some period in the future that they, too, may consider joining the National Bank of Commerce as we have noted in some bank locations the attitude "If you can't beat 'em, join 'em." Scammell remarked that it wouldn't be quite so good for them in that the value of their bank under that condition would be less than if they were to join us first.
	• • • •

GX F-31

CREDIT MEMORANDA

NAME Washington Trust Bank, Spokane

Date Source	Comments or Sundry Information
	• • • •
9-2-53 MC	I told Mr. Stanton I was aware of the close correspondent relationship of the Washington Trust Bank with the Farmers State Bank and it might be said that Newport is in Spokane's back yard. Certainly we would not be interested in the Newport bank if Mr. Stanton wanted to buy it, and I would not be interested in looking at the community and talking to Mr. Shanks if Mr. Stanton objected. I was told that Mr. Stanton had heard rumors regarding the possible sale of the Newport bank and if anyone bought it he would prefer that it be the National Bank of Commerce. He complimented us on our systematic branch expansion and thought Newport would add to our coverage. I asked him why he was not interested, and he replied that they did not have the manpower nor could they develop manpower which would permit any branch expansion for them.
	• • • •

GX G-1

ABERSFELLER DEP. EX. 5

INFORMATION MEMORANDA

NAME Bank of Fairfield Fairfield, Wash. BRANCH

Date Source	Comments or Sundry Information
3/9/71 FAA:ss	Lunched with Bill and Jay Wernz today in Fairfield. Bill expressed some concern over bank legislation that would permit larger banks to branch in other areas in the state. We had a good discussion about the competitive factors surrounding the dual banking system in our state. I think that Bill has been considering the sale of this bank and that probably one of these days he will want to know how much we will give for his bank. Bill told me some of his family status. He has three boys—one who is at the Bank of Latah, a son that worked as a CPA for Boise Cascade Corporation and another in his second year of medicine at the University of Washington. Bill said that the CPA son has a great interest in finance and probably would come back to the bank in Fairfield to become the president should Bill retire. He has no plans at this time to retire, but he probably will want to within the next few years. Bill showed some concern over the competitive factors in banking today and one of these days may just want to "throw in the towel", despite the family situation. Jay seems to be perfectly happy in Latah and will no doubt want to continue in his unit banking career. Both banks have done an excellent job in servicing the community and are well regarded and respected by not only the people in the area but competitors as well.

GX G-2

INFORMATION MEMORANDA

Name BRANCH
J. E. Hall Contractors, Inc.—Farmers and Merchants Bank

Date Source	Comments or Sundry Information
	* * * *
6/4/71 WJW:GC [Author unknown]	He [Mr. August Klaue, Chairman of the Board of the Farmers and Merchants Bank] then inquired as to whether NBofC felt that his group had in any way violated any implied commitment to sell the F & M Bank stock to us. I stated that my exhaustive review of the files had suggested a gentlemen's agreement that we would have first refusal and since a tender had been made and rejected because of price, so far as I knew they had met their commitment to NBofC.
	* * * *

GX G-3

INFORMATION MEMORANDA

Branch Expansion

NAME Farmers and Merchants Bank of Rockford

Date Source	Comments or Sundry Information
8-5-70 RJS: ws	Today Emory Hall visited with RFB and me concerning his loans and finally with reference to the sale of Farmers & Merchants Bank. Last fall he was talking about a price of $5,000,000. Today he was talking about a minimum price of $4,000,000, or approximately $1,450 per share for the 2,750 shares outstanding. These shares cost him and his associates $400 to $500 per share, but he said the bank had only $3,000,000 in deposits then vs $9,000,000 now. I told him this price for the stock, based on a net profit after taxes of $250,000 for the year, would be on a price/earnings basis of 16 times vs Marine as about 9 times, or would equal a premium on deposits of 35% plus on deposits which would be entirely out of line. However, inasmuch as RFB had told him we wanted his stock loan to be paid by maturity, 11-25-70, that we would let him know in the next several weeks if we had any interest. I told him I would recommend against it. In any case, if we are not interested, he would have time to transfer his loan to another bank or make satisfactory arrangements here prior to maturity of his loan. There were conversations re: A term loan, substituting the bank for the Fed. so $500,000 balance could be carried, etc., but no commitments were made except (1) As things now stand, we would let him know if we had any interest in buying the bank at the price mentioned, (2) We expected the stock loan to be paid at maturity.

GX G-8

CREDIT MEMORANDA

NAME Farmers & Merchants Bank of Rockford

Rockford, Washington

Date Source	Comments or Sundry Information
8-16-68 RFB:ws	This will supplement Mr. Stowell's memorandum of 8-15-68 which I have read. I visited the Cheney Branch with Mr. Hall and Mr. Klaue and was impressed with the interest they have taken in the new facilities and the effort they have put into its development. The building is of stone, glass and wood, utilizing lava stone found in the vicinity. It is located, perhaps, one-half mile from the center of Cheney, but they indicate student business has been good as most students have automobiles and parking is difficult in the business center of Cheney. They pointed out new construction in the vicinity of the bank and stated that they believed growth of the community would be in its direction. When they took me to the airport, I had a 10-15 minute discussion on a possible sale of the bank. I concluded at the time it was unlikely they were interested in a present sale in view of their comments about future plans for expansion into both Spokane and the Valley area near their Opportunity Branch and their frank statements that they enjoyed their positions as bankers. I felt they were convinced they should improve their future bargaining position by taking advantage of the opportunities they saw for expansion, including a possible merger with the American Commercial Bank,

Date Source	Comments or Sundry Information
8-16-68 RFB: ws Cont.	although they did admit that they presumed everything was for sale for a price. We discussed a cash sale vs a tax free exchange without ruling out the latter entirely. I attempted to influence them toward an immediate decision to sell by pointing out that we were their major prospect and that further expansion, particularly into Spokane, might generate opposition from the Justice Department. In conclusion, I think we should make an immediate offer but sense that although they recognize their commitment to give us first refusal, they may want to further exploit their opportunities before selling.

GX G-9

STOWELL DEP. EX. 4

CREDIT MEMORANDA

NAME Farmers & Merchants Bank of Rockford

Rockford, Washington

Date Source	Comments or Sundry Information
8-15-68 RJS:ws	On 11-23-66 we made a loan to J. Emory Hall, August Klaue ("Augie") and John G. Layman in the amount of $800,000 for the purpose of purchasing stock in the above bank from the estate of the former president and owner and others at a price of $400 or less per share. Not all of this loan has been used. They reached a maximum borrowing of $596,000 and there is a present balance of $548,810. At the time the loan was made, there was no payment scheduled for six months, and then payments were to be $5,000 per month with all of the balance due at the end of 24 months from date of note. This $5,000 was later reduced to $2,500. Payments have been made promptly and the balloon balance is due in December of this year. At the time we made this loan for the purpose of control of the bank, it was understood, as well as such things can be understood when there is no formal agreement, that at about the time the loan matures we would have an opportunity to buy the bank. As of 12-29-67 there were 2,750 shares outstanding and a capital surplus and undivided profits of $559,000 which would give a value of a little over $203 per share. As of the same date, deposits were approximately $6,500,000.

Date Source	Comments or Sundry Information
8-15-68 RJS: ws Cont.	We understand there has been a sustained growth each year, and it was indicated that deposits will be about $8 million at the 1968 year end. Besides the head office at Rockford, branches are operated at Opportunity and Cheney, with the best growth being at Opportunity, a suburb of Spokane. At various times since the loan was made the writer has talked to Emory Hall and his partners about our acquisition of the bank with no pressure and no specific offer being made. They have continuously asserted that they wanted to get the bank in better shape, build it up, acquire more branches and that they liked the banking business. Wednesday of this week (8-14-68) Robert Buck and the writer kept an appointment with Emory Hall to have luncheon in Spokane. Accompanying Emory Hall was Augie Klaue. We had a very friendly discussion concerning our proposed acquisition of the bank. I told them I was to retire on 10-1-68 and would like to see the arrangements made for acquisition prior to that time. I rather sensed from that time on there was quite a poker game going on with their conversation concerning their desire to build the bank, establish more branches and even merge with the American Commercial Bank prior to the sale to our bank. I told them we would sooner acquire the bank as it is now rather than have an organization built up that might provoke resistance from the Justice Department. After lunch Bob Buck went with them to see the Cheney Branch and the writer went to Idaho to do a job for one of our other custom-

Date Source	Comments or Sundry Information
8-15-68 RJS: ws Cont.	ers. Upon returning from this trip, I again met with Hall, Klaue and Layman, the other partner in the organization and we talked further on this matter. On more than one occasion, they said that everything they had was for sale at a price and they seemed to take to my suggestion that they could start another bank if they wished. They asked me on several occasions what price we would pay; however, I did not feel that the time and the conditions were right to make an offer because the price will have to be a good one, and while there could be some jockeying with Hall, both Klaue and Layman are of a different type and I believe an offer around what they had in mind would not have to be further jockeyed. Prior to their taking me to the airport in their helicopter, I asked them to think over the situation and that we would be in touch with them within the reasonable future. Based on the appearance and the book value of the Rockford and Opportunity offices, I would think their real estate and equipment items are reasonable. They say their loans are all good, so if we had to consider their assets to be worth 100%, the price of the stock would be based on the premium that we would pay for deposits and the opportunity to get into locations they have. Roughly, a 10% premium on $8,000,000 of deposits would be close to $500 per share, which I think, would have no interest for them because of their cost of $400 plus interest on most of their shares. A premium of 15% would be about $663 per share which would give them a profit of about 50% over their cost less interest, etc. A premium of 17½% (if

Date Source	Comments or Sundry Information
8-15-68 RJS:ws Cont.	my slide rule is correct) would make for a price of about $700 per share, or it would give them $300 a share profit less interest and other costs they had in the acquisition, which would seem to me, a reasonable offer at this point as that would give them a profit of 75% less their various expenses for less than a 2-year pull. I also talked to them and showed them an article that appeared in the Colville Statesman Examiner under date of 8-9-68 (on the clipping sheet) and it was mentioned they had had some calls telling about their sale of the bank to the NBofC. Emory Hall was particularly very distressed and talked about damage suits against those spreading the news. Klaue did not seem particularly concerned, nor did their attorney Layman, mention it to me when I met with them later in the day.

GX H-1

THE ADMINISTRATOR OF NATIONAL BANKS

WASHINGTON, D.C. 20220

Office of the
Comptroller of the Currency

DECISION OF THE OFFICE OF THE COMPTROLLER OF THE CURRENCY ON THE APPLICATION OF PEOPLES NATIONAL BANK OF WASHINGTON, SEATTLE, WASHINGTON, TO PURCHASE THE ASSETS AND ASSUME THE LIABILITIES OF BANK OF VANCOUVER, NATIONAL ASSOCIATION, VANCOUVER, WASHINGTON.

STATEMENT

On December 2, 1970, Peoples National Bank of Washington, Seattle, Washington, filed an application to purchase the assets and assume the liabilities of Bank of Vancouver, Washington.

Peoples National Bank of Washington, with IPC deposits of $337 million, was chartered as a state bank in 1889. It was converted to a national bank in 1937. The bank operates 50 branch offices in two distinct market areas of Washington. Thirty-eight of the branches are located in populous Puget Sound area in the western portion of the state and the remaining 12 branches are located in the Columbia Basin in the east central area of the state. The bank ranks fourth in size among all commercial banks operating in Washington. Its two largest competitors, Seattle-First National Bank, and The National Bank of Commerce of Seattle, Seattle, Washington, together hold deposits representing over 50 percent of the total commercial bank deposits in the state and over seven times the deposits of applicant bank.

Seattle's metropolitan area has a population of 1.3 million persons. It has a fine deep water seaport and an international airport, both of which are being expanded. The city is known as the gateway to Alaska and the Orient. It is considered by many to be the financial, educational and cultural center of the Pacific northwest.

The economy of the city developed around the lumbering industry and the port facilities. While these remain important, Seattle has developed, since World War II, into a wholesale and retail distribution center and a major manufacturing center. The economy is presently dominated by the

aerospace industry, principally the Boeing Company. This dominance subjects the area to substantial cyclical swings.

The Columbia Basin, in which 12 of applicant's branches are located, is an area of farmland developed as a United States Government reclamation project made possible by construction of the Grand Coulee Dam. This irrigation project has turned an arid desert into lush farmland. Today, this area produces record crops of sugar beets, hay, wheat, vegetables and all kinds of fruit, except citrus. There are eleven food processing plants in the basin that annually process hundreds of millions of tons of food.

Bank of Vancouver, N. A., with IPC deposits of $3 million, was organized in 1965 under the sponsorship of applicant bank. It operates one office in the City of Vancouver. The bank experienced management difficulties until 1968 when applicant bank provided experienced and qualified management. It is the smallest of the four commercial banks operating in Vancouver. Its competitors include branches of the two largest banks in Washington, Seattle - First National Bank, Seattle and The National Bank of Commerce of Seattle.

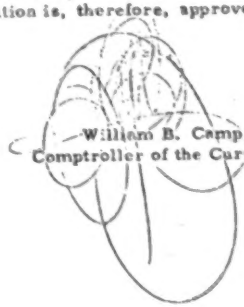
Vancouver, located across the Columbia river from Portland, Oregon, has a trade area of approximately 100,000 persons. It is a port city and has a stable and diversified economy with no one industry or firm dominating the economy. Its industries include aluminum processing, metal fabricating, wood and paper products, textiles and electrical products. Vancouver's port handles over 1.5 million tons annually, primarily exports of lumber, aluminum and agricultural products.

The nearest offices of the subject banks are more than 120 miles apart which precludes any direct competition between them. Therefore, approval of the application will not lessen competition. Applicant bank can not legally branch into Vancouver so there will be no loss of potential competition. Consummation of the proposed union will have the positive competitive effect of introducing a strong viable competitor into the Vancouver area and the surrounding market.

Approval of the application will allow the resulting bank to offer services that are not presently available to the customers of Bank of Vancouver, N.A. These include trust services, automatic data processing services and, very important in the Vancouver area, international services. The lending limit, which is now unrealistically low, will be increased to a competitive level. In addition, real estate loans, which have not been

offered because of lack of funds and trained personnel will be available.

Applying the statutory criteria, we find the proposal is in the public interest. The application is, therefore, approved.



William B. Camp
Comptroller of the Currency

Dated: MARCH 5, 1971

GX H-2

REPORT BY THE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM JAN 12 1971

to the

Comptroller of the Currency, under the Bank Merger Act

(12 U.S.C. 1828(c)), on the competitive factors

involved in the proposed purchase of assets and

assumption of liabilities of

Bank of Vancouver, National Association, Vancouver, Washington

by

Peoples National Bank of Washington, Seattle, Washington

I. THE PROPOSAL

Peoples National Bank of Washington, Seattle, Washington (Seattle Bank), with deposits of $389 million, has requested prior written consent of the Comptroller of the Currency to acquire the assets and assume the liabilities of Bank of Vancouver, National Association, Vancouver, Washington (Vancouver Bank), with deposits of $3.7 million. Seattle Bank operates its main office and 19 branches in Seattle, an additional 19 branches west of the Cascade Mountains and 12 branches to the east of the mountains. There are 4 approved-unopened branches. Vancouver Bank's sole office would become a branch of Seattle Bank.

II. THE COMMUNITIES

Seattle, the leading commercial, industrial and financial center of the Pacific northwest, has a population of 524,000 and a metropolitan population (King and Snohomish Counties) of slightly more than 1.4 million. King County is a major manufacturing center with Boeing Aircraft, manufacturer of aircraft and missiles, the largest single employer with approximately 43,000 employees, less than one-half of the peak employment of mid-1968. Although the company is still considered the key to the economic well-being of the area, efforts have been made in recent years to diversify the economy by attracting other industries.

Vancouver is situated on the Columbia River and is the seat of Clark County. The city, which has a population of 40,000, is located 8 miles north of Portland, Oregon, and is part of the Portland metropolitan area. Vancouver's industrial base includes aluminum, lumber, dairy products, construction materials, and chemicals. Despite current weaknesses in the area's industries, the longer-run trends have been favorable.

III. COMPETITION BETWEEN THE TWO INSTITUTIONS

The nearest office of Seattle Bank to Vancouver is in Tahoma, 138 miles north of Vancouver. There are eight stockholders who own 9.42 per cent of the outstanding shares of Seattle Bank and 30.7 per cent of the outstanding shares of Vancouver Bank. The largest common shareholder is Joshua Green Corporation, a one-bank holding company which is wholly owned by members of the Joshua Green family which, in turn, controls approximately 49 per cent of the outstanding shares of Seattle Bank. Under State branching laws, Seattle Bank cannot establish de novo branches in Vancouver.

IV. OTHER COMPETITIVE EFFECTS

Seattle Bank is the fourth largest bank in Washington with about 7 per cent of total deposits. It is considerably smaller than the two largest banks in the State which hold 33 per cent and 20 per cent of total deposits. The third largest bank in the State holds 11 per cent of total deposits.

Clark County, location of Vancouver Bank, is served by 15 offices of 6 commercial banks. Vancouver Bank ranks 5th with approximately 3 per cent of total commercial bank deposits. Seattle-First National Bank, the State's largest bank, with 2 offices in Clarke County ranks 1st with approximately 35 per cent of total deposits, closely followed by First Independent Bank, Vancouver, with 8 offices and 34 per cent of total deposits. There are 4 banks with 10 offices within the corporate limits of Vancouver. Vancouver Bank is the smallest of these 4 banks with approximately 4 per cent of commercial bank deposits.

V. CONCLUSION WITH RESPECT TO COMPETITIVE FACTORS

The purchase of assets and the assumption of liabilities of Bank of Vancouver, National Association, by Peoples National Bank of Washington, Seattle, would have no adverse competitive effects.

NOTE

As required by the Bank Merger Act (12 U.S.C 1828 (c)), this report is limited to a report on the competitive factors involved, and is not a recommendation as to whether the application should be approved or disapproved. The term "no adverse competitive effects" as used in the above conclusion is defined at 12 C.F.R. 250.182 (34 Fed. Reg., July 10, 1969, p. 11414); Fed. Res. Bulletin, July 1969. This report is furnished by the Acting Director of the Division of Supervision and Regulation, acting on behalf of the Board of Governors under delegated authority.

GX H-3

THE ADMINISTRATOR OF NATIONAL BANKS

WASHINGTON, D.C. 20220

Office of the
Comptroller of the Currency

DECISION OF THE OFFICE OF THE COMPTROLLER OF THE CURRENCY ON THE APPLICATION OF OLD NATIONAL BANK OF WASHINGTON, SPOKANE, SPOKANE, WASHINGTON, TO PURCHASE THE ASSETS AND ASSUME THE LIABILITIES OF KENNEWICK NATIONAL BANK, KENNEWICK, WASHINGTON.

STATEMENT

On June 30, 1969, Old National Bank of Washington, Spokane, Spokane, Washington, applied to the Office of the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of Kennewick National Bank, Kennewick, Washington.

Spokane, home of the applicant bank, has a population of 190,000 making it the second largest city in the state. It is located approximately 285 miles east of Seattle and 17 miles west of the Idaho state line. It is the heart of the region called the "Inland Empire" which includes eastern Washington, northern Idaho, and western Montana and supports an aggregate population of 1,200,000. The local economy is diversified but stable being maintained primarily by lumbering, mining, agriculture and the raising of livestock. There are more than 41,000 farms in the "Indland Empire" which in 1968 had a cash income of some $600 million. The forest products industry has a stimulating impact with a payroll of $120 million distributed among 28,000 workers. Manufacturing, while still second to agriculture and its related activities, is increasing and now accounts for annual wages of some $100 million. Presently over 350 manufacturing firms in and around Spokane employ about 13,000 people. Fairchild Air Force Base, with 4,700 permanent military and civilian personnel and an annual payroll of $27 million, is located 15 miles west of the city. Four transcontinental railroads, three airlines, and 35 carrier trucking firms serve the city's transportation needs.

Old National Bank of Washington, Spokane, the charter bank, was organized in 1891 and presently has IPC deposits of $232 million deposited in its head office and 37 branches. It has the largest branch system in Eastern Washington and is the fifth largest bank in the state. It is a subsidiary of

Washington Bancshares, Inc., Spokane, Washington, a registered bank holding company which controls one other bank, the First National Bank of Spokane, a $35 million institution with five branches.

Kennewick, the home of the selling bank, has a population of 17,000 people and is situated some 150 miles southwest of Spokane and 230 miles southeast of Seattle at the junction of Columbia and Yakima Rivers. It is but one of three cities built around the concourse of the two rivers. Aggregately, Kennewick and the other two cities -- Richland and Pasco -- support over 100,000 people through agricultural and industrial activities. Two decades ago this region was largely wasteland, but the institution of the Columbia Basin Project has helped to transform the area into productive farm land and a thriving manufacturing center. The Columbia River which is navigable from the Pacific Ocean, an adequate source of water, and the local Hanford Plutonium Plant, built by the Atomic Energy Commission during World War II, have attracted some of the largest firms in the country, including U.S. Ribber Company, Atlantic-Richfield Corporation, and Battelle Northwest Laboratories, which collectively employ almost 9,000 of the local citizenry. This is considered the fastest growing area in Washington and the recent construction of several national hotels, hospitals, shopping centers, and industrial plants reinforces the present economic activity of the region.

The Kennewick National Bank, the selling institution, with IPC deposits of $2.4 million, was organized in 1965 under the guidance of the applicant bank. The goals of the selling bank are still largely unrealized. Deposits have been far lower than expected, earnings have been small, and no cash dividends have been paid to date. Until two years ago excessive loan loss was a serious problem, but with the applicant bank management virtually taking over all the affairs of the selling bank, this problem has now been solved. Decisions of consequence are presently made by the applicant bank's management. The proposed acquisition will have little if any effect on competition between the two banks. Although the charter bank operates two facilities in Pasco and one in Richland, all of which are less than ten miles from the selling bank in Kennewick, the Columbia and Yakima Rivers offer a natural physical barrier to competitive interaction. A more important consideration is the present ties that exist between the management of the purchasing and selling banks. This has served to limit the effective competition between the two institutions.

The purchase of Kennewick National Bank will not unduly concentrate assets in the resulting bank nor adversely affect the banking structure in

the selling bank's trade area. The purchasing bank with total deposits of $262 million is the fifth largest bank in the state, holding approximately six percent of the statewide deposits. With the selling bank having total deposits of $2.9 million, which represents .1 percent of total state deposits, the resulting bank's asset structure remains virtually the same. The trade area of the selling bank, embracing the cities of Kennewick, Pasco, and Richland, is served by offices of six commercial banks including the state's two largest institutions -- Seattle-First National with a branch in each tri-city and National Bank of Commerce of Seattle with branches in Kennewick and Richland. Together, the branches of those two banks alone account for $68 million of the area's deposits. Consummation of the proposed merger will add only $2.8 million in deposits of the selling bank to the $10 million deposited in the Pasco and Richland branches of the purchasing bank.

The competition eliminated by the acquisition will be negligible and more than offset by the advantages that evolve. The management problems that presently exist will be resolved. Also, the people of Kennewick will be served by an institution that can offer more services than the selling bank presently affords. The applicant, in maintaining the selling bank as a branch, can more effectively serve Kennewick and its inhabitants thereby overcoming the natural barrier of the rivers and their bridges which limit access to and from the city.

Therefore, considered in light of the statutory criteria, this merger is judged to be in the public interest and is approved.

William B. Camp
Comptroller of the Currency

Dated: NOV 21 1969

GX H-4

ATTORNEY GENERAL

September 9, 1969

Memorandum to
THE BOARD OF REVIEW
and
THE BOARD OF DIRECTORS
Federal Deposit Insurance Corporation

OLD NATIONAL BANK OF WASHINGTON, SPOKANE
SPOKANE, WASHINGTON

SUBJECT: Request by the Comptroller of the Currency for Report on the Competitive Factors Involved in a Proposed Purchase of Assets and Assumption of Liabilities

Pursuant to the provisions of Section 18(c) of the Federal Deposit Insurance Act, the Comptroller of the Currency in a letter received on July 25, 1969 requested from the Corporation a report on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of KENNEWICK NATIONAL BANK, KENNEWICK, WASHINGTON (Other Bank), total resources $3,151,000, by the captioned bank (Applicant), total resources $290,858,000. It is proposed that the sole office of Other Bank will be operated as a branch of Applicant.

RECOMMENDATION OF THE DIVISION OF BANK SUPERVISION:

It is recommended that this memorandum constitute the Corporation's report to the Comptroller of the Currency that consideration has been given to the elements of competition involved and, without regard to the banking factors, the Board of Directors has concluded that the overall effect of the proposed transaction on competition would not be unfavorable.

SUMMARY AND CONCLUSION

Applicant is a $290 million institution operating 37 offices throughout eastern and south-central Washington. Other Bank is a $3 million institution operating its only office in Kennewick which is one of the three towns forming the Tri-Cities area. The other two towns are Richland and Pasco where Applicant has branches.

Applicant assisted with the organization of Other Bank and since then there has been a close affiliation between the two banks with Applicant providing top management for Other Bank. Other Bank has been operated more like a branch of Applicant than as an independent bank and the participating banks combined have been competing with the largest bank in the State for a greater share of the market in the Tri-Cities area. In the Tri-Cities trade area Seattle-First National Bank, the largest bank in the State with total deposits of $1.4 billion, has 47.0% of the deposits and the resulting bank would have 18.0%.

Applicant is the fifth largest commercial bank in the State with 4.9% of statewide deposits and this proposal would not change that position. The resulting bank would have 5.0% of statewide deposits with Seattle-First National Bank holding 31.6%.

This proposed transaction would not add significantly to the concentration of banking in the State of Washington and, due to the close affiliation between the participating banks which has existed since Other Bank was organized, the amount of direct and potential competition it would eliminate is minimal.

It is concluded that the overall effect of the proposed transaction on competition would not be unfavorable.

ANALYSIS OF THE COMPETITIVE FACTOR

Applicant was organized in 1892 and now operates 37 offices throughout eastern and south-central Washington. Since 1961 Applicant has acquired the following banks by merger-type transactions:

Date	Name of Bank	No. of Offices	Total Deposits
November 20, 1961	Walla Walla National Bank, Walla Walla	1	$1,478,000
June 30, 1963	Security State Bank, Colton	1	2,119,000
February 28, 1964	First National Bank of Pullman	2	12,849,000
June 30, 1964	Tri-Cities National Bank, Pasco	2	3,524,700
August 19, 1966	Bank of Richland	1	4,762,600
September 30, 1966	Othello First National Bank, Othello	1	1,174,700
		8	$25,908,000

The basic reasons stated for these acquisitions were the existence of management problems except in the case of Tri-Cities National Bank where an inadequate loan limit and an inadequate lending capacity were cited.

Other Bank opened for business in March, 1965. It has not established any branches and has not been involved in any merger or similar type of transaction

The Spokane, Washington SMSA which consists of Spokane County had a population of 278,300 in 1960 and the population of the City of Spokane was 181,600. The present population of the City of Spokane, the "capital of the Inland Empire", is estimated at 188,500. The City of Spokane serves as a marketing center for much of eastern Washington, Northern Idaho and western Montana. Agriculture, lumbering, mining, manufacturing, transportation and the military are important factors in the Spokane economy.

Kennewick (population 16,000) together with Richland (population 26,500) and Pasco (population 16,600) form the Tri-Cities area. While each city maintains its individuality, factors in each city contribute to the development of the entire area. The Richland economy was based primarily on the Hanford Atomic Energy Plant. With the curtailment of plutonium production by the Atomic Energy Commission in 1964, other firms have been entering the area including Battelle Memorial Institute, United States Rubber, Martin-Marietta Company, MacDonald Douglas, and Atlantic Richfield. Pasco is a transportation center with freight classification yards and the Tri-Cities airport. Kennewick is primarily a residential area but has also attracted some industry, particularly chemical plants to serve the needs of the region's farmers as well as the needs of the various plants in the Richland area. Collier Carbon Company is currently constructing a barge terminal and plant in Kennewick. Agriculture is of some importance in the adjacent rural areas with dry land wheat farming, sugar beets, potatoes, corn, alfalfa, cattle and hogs, and various row crops being produced in quantity. The Tri-Cities and the immediately adjacent unincorporated areas are estimated to have a population of 70,000. With the establishment of Columbia Center, a large shopping complex being developed by Allied Stores in the western section of Kennewick, that town will strengthen its position as the retail shopping center for the entire area.

Based on total deposits, Applicant is the fifth largest commercial bank in the State with 4.9% of statewide deposits. The two largest commercial banks in the State are Seattle-First National Bank, Seattle with 31.6% and National Bank of Commerce, Seattle with 19.2% of statewide deposits. The next two largest banks each have 7.2% of statewide deposits. This proposed transaction would increase Applicant's share of statewide deposits by about 0.1% and would not change its position as the fifth largest commercial bank in the State. As Other Bank does not compete outside its immediate area and as the proposed transaction will not enhance Applicant's deposit volume by any appreciable amount, it does not appear that the proposed acquisition will have any significant effect on competition on a statewide basis.

Applicant's trade area consists of all of Spokane, Whitman, Garfield, Adams, Franklin, Walla Walla, and Benton counties, all of Lincoln County except the northwest section, the southeastern section of Grant County, and that portion

of Yakima County from Toppenish east. Within this trade area Applicant ranks second with 37 offices and 29.6% of the deposits. Seattle-First National Bank has 23 offices and 36.2% of the deposits in this trade area. In addition to Applicant and Other Bank, 18 banks operate 70 offices in Applicant's trade area. This proposed transaction would increase Applicant's share of the market within its trade area by 0.3% to 29.9% and it would still be the second largest.

The trade area served by Other Bank consists of the Tri-Cities and the immediate surrounding area including Benton City, some 20 miles west of Kennewick. Within this area Other Bank has 3.3% of the deposits and Applicant with 4 offices has 14.7%. The three offices of Seattle-First National Bank in this trade area (one each in Kennewick, Pasco and Richland) hold 47 0% of the deposits. The two offices of National Bank of Commerce (one each in Kennewick and Richland) hold 29.5% of the deposits in Other Bank's trade area. After consummation of this proposed transaction the resulting bank would hold 18.0% of the deposits in Other Bank's trade area while two of the other banks operating in the area combined would hold 76.5% of the deposits.

Before Applicant entered the Tri-Cities area in 1964 through the acquisition of Tri-Cities National Bank, Pasco, Seattle-First National Bank held 54.1% of the area's deposits while National Bank of Commerce held 31.3%. Before Applicant's acquisition of Bank of Richland in 1966, Seattle-First National Bank held 48.9% of the deposits and National Bank of Commerce held 29.1% of the deposits. While both Tri-Cities National Bank and Bank of Richland were in existence less than four years, the foregoing statistics can be interpreted as lending some support to the contention that Applicant is a more effective competitor than were the two small banks.

Applicant maintains that it is not possible for them to serve the residents of Kennewick effectively from its Pasco and Richland branches as few Kennewick people work in Pasco and while a great many Kennewick people work in Richland, they bank and shop in Kennewick. Applicant now has two offices in Pasco and one each in Richland and Benton City. This proposed transaction would provide the resulting bank with an office in each of the Tri-Cities and should enable it to compete more effectively with the largest bank in the State in Kennewick.

Under State law Applicant is prohibited from establishing a de novo branch in Kennewick and the only way it could acquire an office in Kennewick is by a merger-type transaction. Applicant assisted with the organization of Other Bank and since it opened for business there has been a close affiliation between the two banks. When Other Bank was in the process of organization, Applicant agreed to provide experienced bankers to fill the positions of President and Cashier. The president who started with Other Bank still holds that position, however, the cashier position has been filled by several different persons. Applicant is Other Bank's principal correspondent and since Other Bank has been in existence, its management has relied heavily on the advice, counsel and even supervision by the staff of Applicant. During approximately the last two years Applicant has closely supervised Other Bank's loan portfolio. Due to this close affiliation between the participating banks which has existed since Other Bank was organized the participating banks have not been competing with each other. Other Bank has been operated more like a branch of Applicant than as an independent bank and the participating banks combined have been competing with the largest bank in the State for a greater share of the market in the Tri-Cities area.

This proposed transaction would not add significantly to the concentration of banking in the State of Washington and the amount of direct and potential competition it would eliminate is minimal.

The application indicates that Applicant has had no problem meeting the credit needs of its service area while Other Bank has had difficulty because of its low loan limit. During 1968 Applicant purchased outright or participated in loans originated by Other Bank involving fourteen different

borrowers. The maximum amount of these loans, outstanding at any one time, was $785,500 and the maximum amount to any one borrower was $394,000. During 1968 Applicant sold participations to two banks in the amounts of $1,000,000 and $500,000, retaining its legal limit in both cases. Both of these loans were interim mortgage financing lines.

There is a substantial volume of competition from other financial institutions in the trade area of the resulting bank. Washington Mutual Savings Bank maintains six offices with total deposits of $67,736,000 in Applicant's trade area, including one office in Kennewick with deposits of $[illegible],686,000. Fidelity Mutual Savings Bank maintains eleven offices with deposits of $146,284,000 in Applicant's trade area. One of these offices is in Pasco and has deposits of $7,495,000. Eight savings and loan associations compete in Applicant's service area and three of these associations maintain offices in the Tri-Cities area. Insurance companies, credit unions, sales finance companies, personal loan companies and direct lending agencies of the Federal government offer additional competition for loans.

GX H-5

REPORT BY THE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

to the

Comptroller of the Currency, under the Bank Merger Act

(12 U.S.C. 1828(c)), on the competitive factors

involved in the proposed purchase of assets and

assumption of liabilities of

Kennewick National Bank, Kennewick, Washington

by

Old National Bank of Washington, Spokane, Washington

I. THE PROPOSAL

Old National Bank of Washington, Spokane, Washington (Spokane Bank) (deposits $255 million), has requested prior written consent of the Comptroller of the Currency to purchase the assets and assume the liabilities of Kennewick National Bank, Kennewick, Washington (Kennewick Bank) (deposits $2.9 million).

Spokane Bank operates 36 offices in 9 of Washington's 39 counties, situated in the south-central and eastern portions of the State. The bank has one approved unopened branch and two branch applications pending, all within Spokane County. Spokane Bank is a subsidiary of Washington Bancshares, Inc., Spokane, Washington, a registered bank holding company which controls one other bank--First National Bank in Spokane (deposits $35 million)--which operates 5 offices, all located in the city of Spokane. Under this proposal, the sole office of Kennewick Bank would be operated as a branch of Spokane Bank.

II. THE COMMUNITIES

Spokane (estimated population 189,000), the second largest city in the State of Washington, is located about 285 miles east of Seattle and 17 miles west of the Idaho State line. The local economy is supported primarily by lumbering, mining, agriculture, and livestock raising. Manufacturing has increased in recent years and there are presently, in and adjacent to Spokane, some 350 manufacturing plants employing approximately 13,000 persons. Fairchild Air Force Base, with 4,700 permanent military and civilian personnel, is located 15 miles west of Spokane.

Kennewick (approximate population 16,000) is located in the southeastern portion of the State, approximately 148 miles southwest of Spokane. Kennewick along with Pasco and Richland, 2-1/2 and 9 miles distant, respectively, comprise the Tri-Cities area, with a population in excess of 61,000. The Tri-Cities area, located at the confluence of the Columbia and Yakima Rivers, serves as the trading center for the lower end of the Yakima Valley. The local Hanford Plutonium Plant, which was built by the Atomic Energy Commission during World War II, and the subsequent shift of its laboratories to private industry for contract and other atomic research, has attracted some of the largest firms in the country to the area, which employ approximately 8,800 local citizens. These firms include Battelle-Northwest Laboratories, Atlantic-Richfield Corporation and U. S. Rubber Company. Future growth prospects of the Tri-Cities area appear favorable.

III. COMPETITION BETWEEN THE TWO INSTITUTIONS

The nearest offices of Spokane Bank to Kennewick Bank are the two offices in Pasco, which are 2.5 miles northeast and 3.8 miles north, respectively, of Kennewick. The towns of Kennewick and Pasco are on the opposite sides of the Columbia River and are connected by two automobile bridges. The next nearest office of Spokane Bank to Kennewick Bank is in Richland, 9 miles to the northwest. Kennewick and Richland are on the same side of the Columbia River but are separated by the Yakima River with an automobile bridge connecting the two areas. There are no intervening banking communities.. While the two banks serve primarily the towns in which their offices are located, each bank derives some business from the area served by the other.

According to the application, Kennewick Bank was organized in 1964 by a group of local business and professional men, with the assistance and guidance of the officers and directors of Spokane Bank. Spokane Bank provided the president and cashier for the new bank. Spokane Bank serves as Kennewick Bank's principal correspondent, and it is further indicated that during the four years that Kennewick Bank has been in operation, its management has relied heavily on the advise, counsel, and even supervision by the staff of Spokane Bank. Nine shareholders owning .1 per cent of the outstanding stock of Spokane Bank also own 44 per cent of the outstanding stock of Kennewick Bank.

While there is a difference in emphasis, both banks conduct a similar type of banking business. The most noticeable difference in emphasis is in the volume of real estate loan business which constitutes 26 per cent of the portfolio at Spokane Bank and 3 per cent of the portfolio at Kennewick Bank. Both banks have about 50 per cent of total deposits in the time category. Loans represent approximately 61 per cent of deposits at Spokane Bank and 60 per cent of deposits at Kennewick

Bank. Interest rates charged on loans and various service charges, as well as interest paid on time deposits, are similar at both banks. The current legal lending limit is $1,500,000 and $30,000 at Spokane Bank and Kennewick Bank, respectively. During the past calendar year, Kennewick Bank purchased participations from Spokane Bank in 58 commercial loans aggregating approximately $422,000, primarily representing overlines. Spokane Bank offers fiduciary services, whereas Kennewick Bank does not operate a trust department.

Aside from their close relationship, potential for increased competition between the two banks is limited in view of the branching laws of the State of Washington. Branching outside a bank's home county is restricted to de novo branching in incorporated but unbanked communities or through acquisition of an existing bank. De novo branching within a bank's home county is limited to its head office city or unincorporated areas of the county.

IV. OTHER COMPETITIVE EFFECTS

Spokane Bank is the fifth largest bank in the State with approximately 5 per cent of total deposits, and Washington Bancshares, Inc., is also the fifth largest commercial banking organization in the State with approximately 6 per cent of total deposits. Consummation of the proposed transaction would increase this share of total deposits by approximately .1 per cent and the position as the fifth largest banking organization would remain unchanged. Spokane Bank is substantially smaller than Seattle-First National Bank which holds approximately 31 per cent of total deposits and National Bank of Commerce, Seattle, which holds approximately 20 per cent of total deposits.

The competitive impact of the proposed transaction would be felt primarily in the Tri-Cities area of Kennewick, Richland, and Pasco. Aside from Spokane Bank and Kennewick Bank, the area is served by a newly opened (1969) bank in Kennewick and branches of the three largest banks in the State, namely: Seattle-First National Bank (deposits $1,657 million), National Bank of Commerce, Seattle (deposits $1,014 million), and Peoples National Bank, Seattle (deposits $392 million). If the proposed transaction is consummated, Spokane Bank's share of area deposits would be increased from approximately 12 to 15 per cent.

V. CONCLUSION WITH RESPECT TO COMPETITIVE FACTORS

Acquisition of Kennewick National Bank by Old National Bank of Washington, Spokane, would eliminate that competition which exists between them. It is believed, however, that such competition has been

limited due to the close relationship which existed between them since organization of Kennewick National Bank in 1966. The overall effect of the proposal on competition would be slightly adverse.

NOTE

As required by the Bank Merger Act (12 U.S.C. 1828(c)), this report is limited to a report on the competitive factors involved, and is not a recommendation as to whether the application should be approved or disapproved. The term "slightly adverse" as used in the above conclusion is defined at 12 C.F.R. 250.182 (34 Fed. Reg., July 10, 1969, p. 11414); Fed. Res. Bulletin, July 1969, p. 610.

GX H-6

[illegible]

BOARD OF DIRECTORS
Federal Deposit Insurance Corporation

OLD NATIONAL BANK OF WASHINGTON, SPOKANE
[illegible]

SUBJECT: Request by the Comptroller of the Currency for Report on the Competitive Factors Involved in a Proposed Purchase of Assets and Assumption of Liabilities

Pursuant to the provisions of Section 18(c) of the Federal Deposit Insurance Act, the Comptroller of the Currency in an undated letter received by the Corporation June 22, 1955 requested a report on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of OLD NATIONAL BANK, SPOKANE, WASHINGTON (First), total resources of $1,556,000, by the captioned bank (Old National), total resources $229,515,000. The sole office of First will be continued as a branch of Old National.

RECOMMENDATION OF THE DIVISION OF EXAMINATION:

It is recommended that this memorandum constitute the Corporation's report to the Comptroller of the Currency and that a copy of same be transmitted to him with a statement to the effect that consideration has been given to the elements of competition involved and, without regard to the banking factors, the Board of Directors has concluded that the proposed transaction will not have an adverse effect on competition.

[illegible] OF TRANSACTION

Old National is a $229.[illegible] million bank operating 32 offices in the eastern portion of the State of Washington. The main office and nine branches are located in Spokane, the second largest city in the state. The bank holds approval to open two additional Spokane branches and also has an application pending for the purchase of assets and assumption of liabilities of Bank of Richland, a single office nonmember bank with total resources of $5.3 million. Old National is a subsidiary of Old National Corporation, Spokane, a registered bank holding company, which as of December 31, 1964 controlled one other Spokane bank, a three office institution with deposits totaling $30 million. Under the subject proposal, Old National would purchase the assets and assume the liabilities of First, a single office bank with total resources of $1.6 million. First's office, located at Othello 123 miles southwest of Spokane, would be continued as a branch of Old National.

In 1964, during the organizational stages, First received the assistance of Old National, which continues to serve as its principal correspondent and has provided a chief executive officer since about 60 days after that bank began operations.

Old National is the sixth largest of the 104 banks in Washington and this transaction will not alter that ranking nor will it have any effect on bank competition in Spokane, the source of more than half the bank's deposit volume.

The nearest offices of Old National are 47 miles south of First, and one other is 49 miles distant. The Bank of Richland proposal, if approved, would add another branch which would be about 40 miles from First. None of these offices of Old National, however, are believed to provide any significant competition in First's trade area, which is dominated by the presence of seven banking offices of three other banks, all situated within 15 to 23 miles. Six of these offices, representing the largest and fourth largest banks in the state, hold 88.8% of the deposit volume of First's trade area.

Due to the distance separating the offices of the subject banks, the correspondent, managerial, and other relationships existing between them, there appears to be little competition which will be eliminated by this proposal. It is concluded that the proposed transaction will not have an adverse effect on competition.

ANALYSIS OF THE COMPETITIVE FACTOR

Old National was organized in 1891 and currently operates 32 offices in the eastern portion of the State of Washington. The main office and nine branches are located in the Spokane area which is the source of over half of the bank's deposit volume. Since organization the bank has been a part of the following transactions:

Date	Bank	Type of Transaction
November 21, 1961	Walla Walla National Bank	Acquisition of assets and assumption of liabilities
June 30, 1963	Security State Bank, Colton	Purchase of assets and assumption of liabilities
February 28, 1964	The First National Bank of Pullman	Merger
June 30, 1964	Tri-Cities National Bank, Pasco	Purchase of assets and assumption of liabilities
(Pending)	Bank of Richland	Purchase of assets and assumption of liabilities

From the first four transactions Old National acquired an aggregate of $19,970,700 in deposits and $12,783,000 in loans, if the last transaction is approved it will gain an additional $3,500,000 and $1,600,000, respectively. From the approved transactions Old National received six branch offices and will gain another from the Bank of Richland proposal. Although the furnished application schedules supply no information relative to ownership or control, we are otherwise advised that Old National is a subsidiary of a registered bank holding company entitled Old National Corporation. The latter owns 74% of the stock of Old National, 70% of the stock of First National Bank of Spokane, 5% of the stock of Valley Commercial Bank, Clarkston, and less than 5% of the stock of Security Bank of Washington, Ephrata. Neither the Clarkston bank nor the Ephrata bank is in the primary service areas of the banks participating in this proposal.

First was organized December 14, 1964 and has not been a part of any merger or similar transaction. First is operated as a unit bank located in Othello, 125 miles southwest of Spokane. Old National was active in assisting with the organization of First, and has served as its principal correspondent. First has, since 60 days following organization, been "borrowing" one of Old National's branch managers as acting executive officer. Because of restrictions in the state law, Old National cannot establish a branch in Othello, except by merger. The president of Old National indicated that the primary purpose behind the organization of First was its eventual conversion to a branch.

The State of Washington is physically divided into an eastern and western section by the Cascade Mountains. These sections are different both as to climate and economics. The western portion has a high-rainfall situation, and its economy centers about lumbering, manufacturing, fishing, shipping and international business. The eastern portion, the section in which the subject banks operate, is semi-arid in climate and its economy centers chiefly in agricultural pursuits, with some diversified industry and military operations adding to the income of the area. Spokane is the second largest city in the state and has a current population estimated at 200,000. It is situated on the Spokane River about 15 miles west of the Idaho border in east-central Washington. The city is a wholesale-retail center for the section known as "the Inland Empire" which covers about a 150,000 square mile area extending from eastern Washington through northeastern Oregon, northern Idaho to western Montana.

The population of Othello is currently estimated at 3,400, an increase of about 700 above that reported in the 1960 census. This town is located about 125 miles southwest of Spokane, in the southwestern portion of Adams County and is a part of the Columbia Basin. This area was largely wasteland until the advent of the Columbia River Project, which through irrigation has vastly improved the agricultural outlook of the vicinity. Future prospects for Othello are good and it is expected to become a shipping center and possibly develop into one of the larger towns in the Columbia Basin. The surrounding area is currently devoted to the raising of sugar beets, potatoes, field corn, and beans.

It will be noted in the supplementary section that banking in the State of Washington is dominated by nine banks which in aggregate hold 83% of the deposit volume and 90 offices above the minimum, each with less than 4%. Old National is the ninth largest and as a result of the current proposal or the one pending with Bank of Richland, it will continue to be in the same ranking. Old National has three operating offices within 49 miles of Othello, one at Ritzville, 49 miles northeast, and two at Pasco, 47 miles south. The potential branch at Richland will be about 40 miles distant. None of these offices are scheduled in the competition of the Othello area due to the distances involved. Seven offices of three other banks, located from 15 to 23 miles from Othello, are considered to be the principal competitors. Two of these offices are those of the state's largest bank, and four are those of the fourth largest. These two banks in their combined offices hold 88.8% of the Othello trade area's total deposit volume. Competition existing between the subject banks in the Othello area is, if existent, believed to be very minimal. As near as could be determined, none of the business of First has been originated in the Spokane area, the site of the main office and nine branches of Old National. The subject proposal will have no apparent effect on competition in the Spokane area and very little, if any, in the trade area served by First.

Officers of competing banks were interviewed and none opposed the subject proposal and their general opinion was that it would have little effect on competition.

In the Spokane area, Old National competes with nine savings and loan associations holding aggregate withdrawable balances and loans of $694,235,600 and $578,681,800, respectively. Several insurance companies maintain branches and local correspondents which compete for mortgages in Old National's trade area. Credit unions are active in Old National's trade area as are direct lending agencies of the Government which are also active in the Othello area.

No information was provided as to interest rates charged on loans and paid on time deposits or as to service charges on checking accounts.

Old National is reported to have handled loans of First which exceeded that bank's legal limit, however, no information was available as to the number or amounts involved.

[illegible]

The following schedule lists the banks with the largest deposits in the State of Washington, figures [illegible] as follows:

Name of Bank	BANK COSTS Amount	%	LOANS Amount	%
Old National	203.0	4.6	124.5	4.4
Bank of Richland (merger pendi.)	3.5	.1	1.6	.1
First	1.1	.1	.7	.1
First National Bank of Spokane [illegible]	33.0	.6	15.3	.2
	240.6	5.4	142.0	5.1
Seattle-First National Bank	1,261.2	28.3	806.3	28.3
National Bank of Commerce Seattle	759.4	17.1	450.6	15.8
Washington Mutual Savings Bank Seattle	473.6	10.6	392.0	13.8
Peoples National Bank of Washington Seattle	297.4	6.7	169.5	6.0
National Bank of Washington Tacoma	244.1	5.5	169.2	6.0
Pacific National Bank Seattle	195.5	4.4	100.6	3.5
Puget Sound National Bank Tacoma	127.1	2.9	99.4	3.4
Seattle Trust & Savings Bank	94.5	2.1	51.0	1.8
92 other banks (a)	756.5	17.0	467.3	16.3
TOTAL (b)	4,449.9	100.0	2,848.5	100.0

(a) Each with less than 2% of total deposits.
(b) Does not include two offices of Bank of California, N. A. (San Francisco), with deposits of $16461. Loan figures not available.

The following schedule shows the bank competition in the Othello area together with branch deposit figures, thousands omitted:

	OTHELLO AREA DEPOSITS Amount(c)	%	Amount(d)	%
First	1,104	3.8	1,104	3.8
Peoples National Bank of Washington	12,374	42.0		
Othello Branch			4,174	14.2
Moses Lake Branch			5,230	17.7
Royal City Branch			829	2.8
Warden Branch			2,141	7.3
Seattle-First National Bank	13,790	46.8		
Connell Branch			3,532	12.0
Moses Lake Branch			10,258	34.8
National Bank of Commerce, Seattle	2,190	7.4		
Moses Lake Branch			2,190	7.4
	29,458	100.0	29,458	100.0

(c) Total by bank
(d) Total by offices

June 10, 1966

Memorandum to
THE BOARD OF REVIEW
and
THE BOARD OF DIRECTORS
Federal Deposit Insurance Corporation

OLD NATIONAL BANK OF WASHINGTON, SPOKANE
SPOKANE, WASHINGTON

SUBJECT: Request by the Comptroller of the Currency for Report on the Competitive Factors Involved in a Proposed Purchase of Assets and Assumption of Liabilities

Pursuant to the provisions of Section 18(c) of the Federal Deposit Insurance Act, the Comptroller of the Currency on May 24, 1966 requested from the Corporation a report on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of BANK OF RICHLAND, RICHLAND, WASHINGTON (Bank of Richland), a nonmember bank with total resources of $5,277,000, by the captioned bank (Old National), total resources $229,515,000. The sole office of Bank of Richland will be continued as a branch of Old National.

RECOMMENDATION OF THE DIVISION OF EXAMINATION:

It is recommended that this memorandum constitute the Corporation's report to the Comptroller of the Currency and that a copy of same be transmitted to him with a statement to the effect that consideration has been given to the elements of competition involved and, without regard to the banking factors, the Board of Directors has concluded that the effect of the proposed transaction on competition would not be adverse.

Comptroller
Exhibit
K-7

SUMMARY AND CONCLUSION

Old National is a $229.5 million bank operating 32 offices in eastern Washington, including 10 in its home city of Spokane where it has also received approval to open two additional branches. It is a subsidiary of Old National Corporation, Spokane, Washington, a registered bank holding company, which controlled one other Spokane bank as of December 31, 1964, with 3 offices and deposits of $29.8 million. Under the subject proposal, Old National would purchase the assets and assume the liabilities of Bank of Richland, total resources $5.3 million, and continue as a branch the latter's sole office, in Richland, 157 miles southwest of Spokane and 12 miles northwest of Old National's two closest offices in Pasco. Old National, it is reported, provided assistance to Bank of Richland at the time of its organization in 1963 and has remained its principal correspondent.

Old National is the sixth largest of the 104 banks in Washington and this transaction will not alter that ranking nor have any effect on bank competition in Spokane where more than half of this bank's deposits originate. Because of the distance separating the subject banks' closest offices and their correspondent and other relationships, there appears little competition between them which would be eliminated by this transaction. Both the first and second largest banks in the state already operate offices in Richland and Old National's entry may well stimulate competition in that city.

It is concluded that the effect of the proposed transaction on competition would not be adverse.

ANALYSIS OF THE COMPETITIVE FACTOR

Old National, organized in 1891, acquired on November 21, 1961, the assets and assumed the liabilities of Walla Walla National Bank, Walla Walla, Washington. On June 30, 1963, it purchased the assets and assumed the liabilities of Security State Bank, Colton, Washington and on February 28, 1964, it merged The First National Bank of Pullman, Pullman, Washington. On June 30, 1964, it purchased the assets and assumed the liabilities of Tri-Cities National Bank, Pasco, Washington. The stated reasons for the first three transactions were related to management problems while as to the fourth, the need for a larger lending limit was cited. From these transactions, Old National acquired an aggregate of $19,970,700 in deposits and $12,783,000 in loans, as well as 6 offices. Although the application is silent as to ownership and control of the banks participating in the subject proposal, we are otherwise advised that Old National is a subsidiary of a registered bank holding company entitled Old National Corporation. The latter owns approximately 74% of the stock of Old National, 70% of the stock of First National Bank of Spokane, 5% of the stock of Valley Commercial Bank, Clarkston, and less than 5% of the stock of Security Bank of Washington, Ephrata. The last two named institutions are not located in the primary trade areas of either of the banks participating in the subject proposal.

Bank of Richland opened for business November 13, 1963 in Richland, Washington, 157 miles southwest of Old National's Spokane main office. Our latest information indicates ownership is distributed among 102 holders, none owning 10% or more of the outstanding stock. We are advised that the Bank of Richland received considerable assistance during its organizational phase from Old National, although no direct investment by the latter was made. As a matter of fact, Old National's president had indicated at the time Bank of Richland was organized that he was hopeful of eventually acquiring the new bank at some future date. Old National has served as principal correspondent to Bank of Richland and has purchased some loan participations therefrom, although not in the last year. Because of the nature of the State law restricting establishment of de novo branches, Old National cannot establish a branch in Richland, except by acquiring another bank already existing. It is indicated in the application that the primary reason for the subject proposal is the solution of management difficulties encountered by Bank of Richland ever since it opened. Old National has been requested several times, both during the organization of Bank of Richland and continuously thereafter, to help recruit qualified management for the new bank, although the results of the search apparently were questionable, since in January of 1966 Old National was again asked to help in securing new management.

The Cascade Mountain range divides the State of Washington into western and eastern sections with distinctly different climates and economic backgrounds. The western part, with high rainfall, has an economy dominated by lumbering, manufacturing, fishing, shipping, and international business. The eastern portion, in which the subject banks operate, is semi-arid as to climate, and predominantly agricultural in its economy. Spokane is the second largest city in the state with a population somewhat less than 200,000. It is situated on the Spokane River about 15 miles west of the Idaho border in east-central Washington. The city is a wholesale-retail center for the section known as "the Inland Empire" which covers about 150,000 square miles throughout eastern Washington, northeastern Oregon, northern Idaho, and western Montana. Its economy is supported by diverse industries and military bases. In the agricultural areas, there are large grain farms and smaller units producing sugar beets, hops, fruits, and other crops.

Old National operates 34 offices in eastern Washington, including two authorized but as yet unopened branches in Spokane itself. Over half of its deposits are held by its 10 existing Spokane offices. Pasco, in which Old National has two branches, is located about 150 miles southwest of Spokane forming with Kennewick and Richland the tri-city area just north of the juncture of the Snake and Columbia Rivers. The population of Pasco is 16,000, while that of Kennewick is 15,200. Pasco is a transportation center with freight classification yards and Kennewick is primarily a residential center although it too has attracted some industry. In the adjacent rural areas, there is dry land wheat farming and other agricultural activities which include the raising of sugar beets, potatoes, corn, alfalfa, cattle and hogs, and various other crops.

Spokane, Washington

Richland, 157 miles southwest of Spokane, is bounded by rivers on three sides and by a desert on the fourth. It has a population of 25,900 and an economy based primarily on the Hanford Atomic Energy Plant since the town was created by the AEC to serve the plant located in an isolated area. Plutonium production was curtailed in 1964 by the Atomic Energy Commission and since that time other firms have entered the area, including Battelle Memorial Institute, United States Rubber, Martin-Marietta, and Douglas Aircraft.

To a great extent, banking in the State of Washington is concentrated in 9 banks, all operating branches. Of these, Old National is the sixth largest in terms of deposit volume in the State and the subject proposal would not alter this ranking. It is noted in the schedule of these banks as shown in the supplementary section that concentration is heaviest among the banks headquartered in Seattle. The information available indicates that the subject transaction would have no effect on state-wide bank competition. Bank of Richland competes primarily in the aforementioned tri-city area and in this area the subject proposal is expected to increase Old National's share of deposits from 7.4% to 12.4%. Old National will continue to be substantially smaller than the Seattle-First National Bank, and National Bank of Commerce. Competition offered the latter two banks probably will be heightened by the subject proposal because of its greater stature as compared with Bank of Richland. Representatives of the competing banks made no objection to the proposal, most feeling that Bank of Richland had been originally established to gain entrance into Richland for Old National. They pointed out that Old National would be in a position to increase competition in Richland by offering additional services therein, such as trust functions, by providing a larger lending limit and capacity, and by providing more capable management.

Old National competes in its areas against the Washington Mutual Savings Bank, Seattle, total loans $391,958,000 and total assets $519,550,000, which operates two branches in Spokane and one each in Pullman and Grandview. It also competes with 9 savings and loan associations holding aggregate withdrawable balances of $654,235,600 and loans of $678,881,800. Bank of Richland competes with two savings and loan associations having aggregate withdrawable balances of $88,430,800 and loans of $88,962,900. There are no industrial banks in the area of either participating bank but insurance companies maintain branches and local correspondents for mortgages in Old National's area and solicit real estate mortgage loan applications in the area of Bank of Richland. There are 50 credit unions located in the service area of Old National and 6 in that of Bank of Richland. Sales finance and personal loan companies are active in both areas as are direct lending agencies of the government.

The application is silent as to interest rates charged on loans and paid on time deposits and as to service charges imposed on checking accounts.

Old National Bank of Washington, Spokane
Spokane, Washington

SUPPLEMENTARY SECTION

The following schedule illustrates the nature of banking in Washington:

Name of Bank	DEPOSITS (Millions) Amount	%	LOANS (Millions) Amount	%
Old National	205.0	4.6	124.5	4.4
Bank of Richland	3.5	.1	1.6	.1
First National Bank of Spokane (affiliate)	30.0	.7	15.8	.5
Subtotal	239.5	5.4	141.9	5.0
Seattle-First National Bank, Seattle	1,261.2	28.3	806.3	28.3
National Bank of Commerce, Seattle	759.4	17.1	450.6	15.8
Washington Mutual Savings Bank, Seattle	473.6	10.6	392.0	13.8
Peoples National Bank of Washington, Seattle	297.4	6.7	169.5	6.0
National Bank of Washington, Tacoma	244.1	5.5	169.2	6.0
Pacific National Bank, Seattle	195.5	4.4	100.6	3.5
Puget Sound National Bank, Tacoma	127.1	2.9	99.4	3.4
Seattle Trust & Savings Bank, Seattle	94.5	2.1	51.0	1.8
93 other banks (a)	757.6	17.0	468.0	16.4
TOTAL (b)	4,449.9	100.0	2,848.5	100.0

(a) Each with less than 2% of total deposits.
(b) Does not include two offices of Bank of California, N.A. (San Francisco), with deposits of $164MM. Loan figures not available

The following schedule shows the bank competition in the Richland area:

Name of Bank		DEPOSITS	%
Old National			
Pasco (2 offices)	$ 4,455,000		
Benton City	733,000	$ 5,188,000	7.4
Bank of Richland		3,478,000	5.0
		8,666,000	12.4
Seattle-First National Bank			
Richland	14,008,000		
Kennewick	5,093,000		
Pasco	14,959,000	34,060,000	48.9
National Bank of Commerce			
Richland	9,023,000		
Kennewick	11,281,000	20,304,000	29.1
Peoples National Bank			
Pasco		3,804,000	5.5
Kennewick National Bank		1,204,000	1.7
Washington Mutual Savings Bank			
Kennewick		1,679,000	2.4
		$69,717,000	100.0%

Comparative Data

Loan portfolio distribution:	Old National %	Bank of Richland %
Real estate loans	24.3	41.1
Loans to financial institutions	7.2	0
Loans on securities	6.0	0
Loans to farmers	14.7	0
Commercial and industrial loans	24.7	31.3
Loans to individuals	21.0	27.5
All other loans	2.1	.1
	100.0%	100.0%
Loan-asset ratio	55.5%	37.2%

COMPTROLLER OF THE CURRENCY UNITED STATES TREASURY

WASHINGTON, D. C. 20220

DECISION OF COMPTROLLER OF THE CURRENCY JAMES J. SAXON ON THE APPLICATION OF OLD NATIONAL BANK OF WASHINGTON, SPOKANE, WASHINGTON, TO PURCHASE THE ASSETS AND ASSUME THE LIABILITIES OF TRI-CITIES NATIONAL BANK, PASCO, WASHINGTON.

STATEMENT

On April 20, 1964, the $203.3 million Old National Bank of Washington, Spokane, Washington, applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of the $4.3 million Tri-Cities National Bank, Pasco, Washington, under the charter and with the title of the former.

Spokane, with a population of over 181,000, is the second largest city in the state and the trading center of a tri-state area known as the "Island Empire". The region, although semi-arid, has a large agricultural production Lumbering and mining contribute to the region's economy, and in recent years, there has been a steady increase in manufacturing.

Pasco, located about 146 miles southwest of Spokane, has a population of about 15,000 and serves as the distribution center for farm products grown in the southeastern part of the state. The Lower Columbia Basin Irrigation Projects permit diversification in alfalfa, sugar beets, potatoes, corn and other row crops.

Old National Bank of Washington, operating 29 branches in eastern Washington, ranks sixth among commercial banks and holds 5.5% of commerci bank deposits in the state. It is the only one of the larger state-wide banking systems with home offices in the eastern part of the state. Competition is furnished by branches of the $1,213 million Seattle-First National Bank, the $686 million National Bank of Commerce, the $278 million Peoples National Bank of Seattle, and the $222 million National Bank of Washington.

Tri-Cities National Bank, a satellite of the purchasing bank, opened in 1961 to provide the purchasing bank with access to the Pasco area. It is heavily loaned and pursues an aggressive policy in soliciting credits, the excess of which are sold to the purchasing bank. Banking competition in Pas

is offered by branches of Seattle-First National Bank and Peoples National Bank of Seattle. Additional competition in nearby communities is provided by branches of the National Bank of Commerce of Seattle in Kennewick, two miles south, as well as by the newly chartered Bank of Richland and branches of the Seattle-First National Bank and the National Bank of Commerce in Richland, seven miles southwest.

Due to the interlocking relationship between the purchasing and selling banks, consummation of the purchase and assumption would not have the effect of eliminating significant competition. The residents of Pasco, however, would have another branch of a full service bank. The greater availability of credit, of trust services, and of the purchasing bank's agricultural agent will benefit the community. Unity of operations will result in lower operating costs and more efficient service to the public.

Applying the statutory criteria to the proposed purchase and assumption, we conclude that it is in the public interest and the application is, therefore, approved.

James J. Saxon
Comptroller of the Currency

Dated: June 4, 1964

GX H-9

REPORT BY THE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

to the

Comptroller of the Currency, under section 18(c) of the Federal Deposit Insurance Act, on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of

Tri-Cities National Bank, Pasco, Pasco, Washington

by

Old National Bank of Washington, Spokane, Spokane, Washington

I. THE PROPOSAL

Old National Bank of Washington, Spokane, Spokane, Washington (Old National) (deposits $181,767,000 as of April 6, 1964), has requested prior written consent of the Comptroller of the Currency to purchase the assets and assume the liabilities of Tri-Cities National Bank, Pasco, Pasco, Washington (Pasco Bank) (deposits $3,771,000 as of April 6, 1964).

Old National operates 10 offices in Spokane and 20 out-of-town branch Pasco Bank operates a single office; however, it has received permission to establish a branch 1.5 miles northwest of the main office. The resulting bank plans to operate all offices (all offices are located in the eastern portion of the State) of the two banks.

II. THE COMMUNITIES

Spokane (population about 182,000) is the second largest city in the State of Washington and the principal one in the "Inland Empire" which is made up of eastern Washington, northern Idaho and western Montana. The Cascade Mountains form a natural barrier between the semiarid farm and range lands of eastern Washington and the more populous and industrialized areas in the western portion of the State. While agriculture is the most important factor in the economy of the "Inland Empire," lumbering and mining are also important. During recent years, there has been a steady increase in manufacturing in the area. Spokane serves as a trading center for the surrounding agricultural communities where peas, hops, apples, pears and wheat are produced.

Pasco, an incorporated city and the seat of Franklin County, has an estimated population of 15,000. This city is located at the junction of the Columbia and Snake Rivers and is about 146 miles southwest of Spokane. Agriculture is the main industry in the Pasco area. While agricultural activities were formerly limited for the most part to dry land wheat farming, the Lower Columbia Basin Irrigation Projects have made it possible to produce sugar beets, potatoes, alfalfa, corn and other row crops. Pasco is a distribution point for a large amount of farm products grown in southeastern Washington. New businesses are entering the area and others are expanding with retail sales having increased by 60 per cent between 1950 and 1960.

III. Competition Between the Two Institutions

Old National operates six branches within a 50-mile radius of Pasco, the nearest of which is at Benton City (18 miles west of Pasco). The community of Richland lies almost directly between Pasco and Benton City; there is a small bank headquartered in Richland as well as branches of two large Seattle banks. The application does not indicate the extent to which Old National and Pasco Bank have common customers or business originating in the other's service area.*

During 1963 Pasco Bank originated 771 loans ($4,672,147) which were either placed with or a portion thereof shared with Old National. Of the total dollar amount, Pasco Bank retained $1,515,824. Applicants indicate the aforementioned loans were beyond the lending capacity of Pasco Bank.

The following schedule furnishes pertinent information about the types of loans and deposits held by the two banks.

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* That area from which a bank derives 75 per cent or more of its deposits, both demand and time, of individuals, partnerships and corporations (IPC).

	Per cent of total	
Loans	Old National	Pasco Bank
Commercial and industrial	22	16
Real estate	27	4
Instalment	22	58
Farm (not on real estate)	17	22
To financial institutions	6	—
For purchasing or carrying securities	4	—
All other	2	—
	100	100
Deposits		
IPC—demand	45	57
IPC—time	46	32
Public funds—demand and time	7	9
Banks—demand	1	1
Other—demand and time	1	1
	100	100

The application does not indicate the banks' rates of interest on loans, service charges or interest rates on savings deposits. Old National operates a trust department whereas Pasco Bank does not offer fiduciary services.

Pasco Bank was organized in 1960 and is controlled by Dewitt E. Wallace, George Wallace, D. P. Seaberg and their families. Mr. Dewitt Wallace and Mr. Seaberg are president and vice president, respectively, of Old National.

Control of Old National is owned by Old National Corporation, Spokane, Washington, a registered bank holding company, which also owns control of the First National Bank in Spokane (deposits of about $26 million). First National Bank in Spokane operates three offices, all of which are in the downtown section of Spokane. The holding company also owns approximately 5 per cent of the outstanding stock of Security State Bank of Ephrata, Ephrata, Washington (total deposits of about $5 million), and 5 per cent of the outstanding stock of Valley Commercial Bank, Clarkston, Washington, a newly organized bank. The offices of Security State Bank of Ephrata and Valley Commercial Bank, Clarkston, are situated more than 80 miles from Pasco.

The nearest offices of Old National and Pasco Bank are 18 miles apart with intervening banking facilities. There appears to be little, if any, competition existing between them.

IV. EFFECT ON OTHER INSTITUTIONS

The following schedule reveals the relative position of participants and other commercial banks in the State of Washington as of December 20, 1963.

Bank	Total deposits (000 omitted)	Per cent
OLD NATIONAL	$ 178,506*	5.5
PASCO BANK	3,601	0.1
Combined	$ 182,107	5.6
Seattle-First National Bank	1,094,724	33.9
National Bank of Commerce of Seattle	624,752	19.4
Peoples National Bank of Washington in Seattle	251,782	7.9
National Bank of Washington, Tacoma**	203,578	6.3
Pacific National Bank of Seattle	168,770	5.2
First National Bank in Spokane	26,392	.8
85 other commercial banks	676,215	20.9
Totals	$3,228,320	100.0

* Includes deposits of The First National Bank of Pullman which was acquired subsequent to December 20, 1963. Old National Corporation, a registered bank holding company, also controls First National Bank in Spokane (deposits shown in the above schedule). Thus, this holding company controlled about 6 per cent of the total commercial bank deposits in the State as of December 20, 1963.

** A subsidiary of Western Bancorporation, Los Angeles, California, a registered bank holding company.

There are four mutual savings banks in Washington (three in Seattle and one in Tacoma) which had deposits of about $511 million as of December 20, 1963. The Washington Mutual Savings Bank, Seattle, had deposits of approximately $383 million.

The largest bank in the State, Seattle-First National Bank, operates four branches in Spokane and three more in the suburbs of Spokane. The following banks are headquartered in Spokane.

Bank	Deposits 12-20-63 (000 omitted)
Old National	$178,506*
Washington Trust Bank	46,422
First National Bank in Spokane	26,392
Spokane National Bank	4,244

* Includes deposits of The First National Bank of Pullman which was acquired subsequent to December 20, 1963.

As previously noted, Old National and First National Bank in Spokane are both controlled by Old National Corporation, a registered bank holding company.

Old National is presently the fifth largest commercial bank in the State, holding 5.5 per cent of the total commercial bank deposits. If the instant proposal is approved, Old National would hold 5.6 per cent of such deposits and would continue to be the State's fifth largest commercial bank. The resources to be gained by Old National through this acquisition would not significantly affect its competitive position in either the State or Spokane. While Old National is the largest bank headquartered in eastern Washington, Seattle-First National Bank, the largest bank in the State, operates branches in Spokane as well as in several other eastern Washington communities. In addition, the State's second largest bank, National Bank of Commerce, Seattle, operates branches which compete directly with out-of-town branches of Old National.

Information regarding banks which have offices within a 25-mile radius of Pasco is furnished in the following schedule.

	Distance in miles and direction from Pasco Bank	Bank's total deposits 12-20-63 (000 omitted)
Pasco --		
Pasco Bank	-	$ 3,601
Peoples M/B of Washington in Seattle	1/2 E	251,782
Seattle-First National Bank	1 E	1,094,724
Kennewick --		
National Bank of Commerce of Seattle	2 S	624,752
Seattle-First National Bank	2 S	1,094,724
Richland --		
Bank of Richland	10 W	838
National Bank of Commerce of Seattle	10 W	624,752
Seattle-First National Bank	10 W	1,094,724
Benton City --		
Old National	18 W	178,506*

* Includes deposits of The First National Bank of Pullman which was acquired subsequent to December 20, 1963.

Pasco Bank's chief competition is furnished by branches of the State's three largest commercial banks. Such branches are located within a 2-mile radius of Pasco Bank.

It appears the instant proposal would not have adverse effects on other banks located in the service areas involved.

There are five savings and loan associations located in Spokane with aggregate share accounts of about $287 million. Branches of two large savings and loan associations are situated in Pasco. In addition, insurance companies, credit unions, sales finance and personal loan companies, and direct lending agencies of the U. S. Government compete with banks in the service areas involved in this proposal.

V. CONCLUSION WITH RESPECT TO COMPETITIVE FACTORS

There appears to be little, if any, competition existing between Old National Bank of Washington, Spokane, and Tri-Cities National Bank, Pasco, and the proposed transaction would not have adverse effects on other banks.

NOTE

As required by section 18(c) of the Federal Deposit Insurance Act, this report is limited to "a report on the competitive factors involved," and is not a recommendation as to whether the application should be approved or disapproved.

GX H-10

ATTORNEY GENERAL

May ??, 1964

Memorandum to
THE BOARD OF REVIEW
and
THE BOARD OF DIRECTORS
Federal Deposit Insurance Corporation

OLD NATIONAL BANK OF WASHINGTON, SPOKANE
SPOKANE WASHINGTON

SUBJECT: Request by the Comptroller of the Currency for Report on the Competitive Factors Involved in a Proposed Purchase of Assets and Assumption of Liabilities

Pursuant to the provisions of Section 18(c) of the Federal Deposit Insurance Act, the Comptroller of the Currency on April 21, 1964 requested from the Corporation a report on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of TRI-CITIES NATIONAL BANK, PASCO, PASCO, WASHINGTON (Tri-Cities), total resources $4,322,000, by the captioned bank (Old National), total resources $203,316,000. The main office of Tri-Cities and its approved but unopened West Side Branch in Pasco will be continued as branches of Old National.

RECOMMENDATION OF THE DIVISION OF EXAMINATION:

It is recommended that this memorandum constitute the Corporation's report to the Comptroller of the Currency and that a copy of same be transmitted to him with a statement to the effect that consideration has been given to the elements of competition involved and, without regard to the banking factors, the Board of Directors has concluded that the effect of the proposed transaction on competition would not be unfavorable.

Summary and Conclusion

Tri-Cities National Bank, Pasco, was organized in November 1960, sponsored by Old National Bank, Spokane. Nearly one-fourth of its outstanding stock is owned by Old National Corporation, a registered bank holding company which also owns 73.6% of the stock of Old National Bank. Officers of Old National Bank and members of their families own control of Tri Cities National.

Old National is the sixth largest bank among 96 in the State of Washington, as of the end of 1963, but in that position held but 4.8% of the State's total deposits (adjusted for a February 28, 1964 acquisition of The First National Bank of Pullman, Pullman, Washington). The acquisition of Tri-Cities National would increase its relative size among Washington's banks by less than 0.1%.

In the Tri-Cities area, 150 miles southwest of Spokane, which includes Pasco, Kennewick, and Richland, Tri-Cities National competes with six branches of Seattle-First National Bank, National Bank of Commerce, and Peoples National Bank, all of Seattle, the State's first, second, and fourth largest banks, respectively. To this extent, the substitution of a branch of Old National in place of Tri-Cities National will increase competition. The closest office of Old National to Tri-Cities National is nearly twenty miles away and is considered to be outside the Tri-Cities service area; consequently, there is no competition between them to be eliminated.

It is concluded that the effect of the proposed transaction on competition would not be unfavorable.

Pasco, Washington

ANALYSIS OF THE COMPETITIVE FACTOR

Old National was organized in 1891. On November 20, 1961 it acquired the assets and assumed the liabilities of Walla Walla National Bank, Walla Walla, Washington, and on June 30, 1963, through a like transaction, acquired Security State Bank, Colton, Washington. On February 23, 1954, The First National Bank of Pullman, Pullman, Washington, was merged into Old National. Through these three transactions, Old National acquired four branches and deposits and loans aggregating, respectively, $16,446,000 and $9,680,000.

Old National is affiliated with First National Bank in Spokane through both banks being controlled by Old National Corporation, a registered bank holding company, owning 73.6% of the stock of Old National and 70.7% of the stock of First National Bank in Spokane. In addition, it owns 24½% of the stock of Tri-Cities, and approximately 5%, each, in Valley Commercial Bank, Clarkston, and Security State Bank of Ephrata. Old National operates an extensive regional branch system in the southeastern section of the State of Washington, including ten offices in Spokane and 20 others, ranging from 15 miles east and 15 miles west to 196 miles southwest of Spokane. A complete trust department is operated.

Since Tri-Cities was organized in November 1960, it has been closely associated with Old National. Upon organization, 24½% of the stock of Tri-Cities was acquired by Old National Corporation, and at the time of the February 11, 1963 examination, two officers of Old National, together with other family members, held stock control. The application gives no information as to present ownership and control, but the past record clearly indicates the close relationship between the two banks. Under applicable branching laws restricting the establishment of de novo branches, Old National can enter Pasco only through merger or the absorption of an existing bank.

The State of Washington is divided by the Cascade Mountain range running north and south from the Canadian border to the Oregon line, dividing the State into western Washington and eastern Washington. The two sections have distinctly different climates and economies. Western Washington has high rainfall, is timbered, and economically, is dominated by lumbering, manufacturing, fishing, shipping, and international business. Eastern Washington is semi-arid with agriculture and related businesses dominant. Spokane, the second largest city in the State, is situated on the Spokane River about fifteen miles west of the Idaho border in east-central Washington. Its population is just short of 200,000 and it is a wholesale, retail, and manufacturing center for what is known as "The Inland Empire," covering about 150,000 square miles in eastern Washington, northeastern Oregon, northern Idaho, and western Montana. Its economy is supported by diversified industries and military bases. Large grain ranches, livestock, and the production of sugar beets, hops, fruits, and row crops are of major importance in the agricultural areas of eastern Washington.

Pasco is located approximately 150 miles southwest of Spokane and together with Kennewick and Richland form the Tri-Cities area, just above the juncture of the Snake and Columbia Rivers. Pasco has a population of 16,500 and the populations of Kennewick and Richland are 14,750 and 25,25[illegible], respectively. Pasco is the seat of Franklin County. It serves as a transportation center, and the Atomic Energy Commission has its Hanford plant nearby in adjacent Benton County. The rural area surrounding the Tri-Cities area is regarded as good agricultural land, provided with irrigation from the McNary Dam, 40 miles downstream from Pasco.

The nearest branch of Old National to Pasco is at Benton City located nearly 20 miles west, but this location is not considered to be within the trade area of Tri-Cities. The close association of Old National and Tri-Cities is evidenced by the fact that during 1963 Old National purchased loans aggregating more than $3,150,000 from Tri-Cities, compared with $3,100,400 in loans reflected on the latter's published statement as of December 20, 1963. Moreover, it is indicated that Tri-Cities has full use of Old National's services, including its agriculturalist and other credit department facilities, and its important credit files are duplicated at Old National.

Banking in the State of Washington is dominated by a few large branch banking systems, among which Old National is sixth largest, although its operations outside of Spokane are confined to the southeastern part of the State, whereas some Seattle based banks operate state-wide. At the end of 1963 there were 96 insured banks, including four mutual savings banks, in the State of Washington, holding total deposits of slightly more than $3.7 billion. Among these banks Old National held 4.8% of the State's total (adjusted for the 2-28-64 merger with First National Bank of Pullman) and Tri-Cities held less than 0.1%. The affiliated First National Bank of Spokane held 0.7%. The largest bank in the State, Seattle-First National Bank, Seattle, held nearly 30% of the total deposits and five Seattle-based banks, in the aggregate, held nearly two-thirds. Obviously, the addition of the relatively small deposit volume of Tri-Cities to that of Old National will have little, if any, effect upon the latter's competitive position on a state-wide basis. The only significant effects on competition will occur in the Tri-Cities area, where even here, the only effect will be to substitute a branch of Old National for the independent bank, which, as indicated, has been closely associated with Old National since its conception.

In Pasco, Tri-Cities competes with three offices (Pasco, Kennewick, and Richland) of Seattle-First National Bank (State's largest bank), the Pasco Branch of Peoples National Bank, Seattle (State's fourth largest), two branches (Kennewick and Richland) of National Bank of Commerce, Seattle (State's second largest), and one independent bank, Bank of Richland, with total deposits nearly $1 million. In Spokane, the branches of Seattle-First National Bank have larger deposit totals than do the offices of Old National. There is no competition to be eliminated as a result of the proposal.

As of April 6, 1964, the ratio of loans to total deposits of Tri-Cities was 72.7%, despite its having sold a substantial volume of loans to Old National. Obviously, without this relationship, Tri-Cities would be severely handicapped, and as a branch of Old National, such loan participations would not be necessary. Old National would be in a direct position to meet the much larger loan limits of three of the State's four largest banks. Moreover, the substitution of a branch of Old National for Tri-Cities would not change the number of banking choices available to the public in the Tri-Cities area.

Officers of the competing banks offered no objections to the proposal. In view of the facts, a review of the non-bank competition is not considered necessary to determine the effect of the proposal on competition.

GX H-11

DECISION OF THE COMPTROLLER OF THE CURRENCY JAMES J. SAXON ON THE APPLICATION TO MERGE THE MID-COLUMBIA BANK OF PASCO, PASCO, WASHINGTON, AND THE PEOPLES NATIONAL BANK OF WASHINGTON IN SEATTLE, SEATTLE, WASHINGTON.

STATEMENT

The Mid-Columbia Bank of Pasco, Pasco, Washington, and the Peoples National Bank of Washington in Seattle, Seattle, Washington, have applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

Peoples National Bank of Washington has grown since its founding in 1889 until it is now the third largest commercial bank in the State of Washington with total resources of $251,145,000, deposits of $231,820,000, and loans of $109,125,000. Though it operates 29 banking offices in seven of the state's 39 counties, 24 of the offices are concentrated in western Washington - with 15 within the Seattle Metropolitan area, and five located in the Columbia Basin area of central Washington.

Leadership among the commercial banks in Washington is shared by two large institutions. The Seattle-First National Bank accounts for one-third of the total deposits in the state and the National Bank of Commerce of Seattle for one-sixth. Both these banks operate branches in the Pasco area as part of their state-wide systems. Since Peoples National Bank is but a poor third in size with only 6½% of the total state deposits, this merger will not disrupt the relative positions of the state's banks nor materially affect competition among them.

Seattle, the home office city of Peoples National Bank, had a population of 557,087 at the time of the 1960 census. Its trade or metropolitan area, comprised of King County of which it is the seat, and adjacent Snohomish County, had a population of 1,107,213. With its present rate of growth which is 10% greater than the nation as a whole, Seattle will retain its preeminence as one of the leading industrial and commercial centers of western United States. Its highly diversified manufacturing activities, especially its aircraft plants, its government offices, wholesale and retail trade, a wide variety of service industries and shipping facilities all provide employment and support its thriving economy. This merger, while adding little to the resources of Peoples National Bank, does, to some extent, strengthen its position in the struggle for business generated in this metropolitan area.

The Mid-Columbia Bank of Pasco was organized in 1954. Since its beginning, it has accumulated total assets of $3,807,000. With its

total deposits of $3,479,000 and total loans of $1,475,000, it ranks fourth in size among the five banking offices serving the booming Pasco trade area.

Pasco, in Franklin County, and Kennewick, across the river from it in Benton County, are referred to colloquially, in conjunction with Richland, also in Benton County, as the "Tri-Cities." Lying at the confluence of the Snake and Columbia Rivers, 230 miles east of Seattle, these cities enjoy a prosperous economy based on trade, agriculture and industry. As a transportation center Pasco is served by four railroads and is the northern terminus for the heavy barge traffic on the Columbia River. The agriculture of the area, centered on high cost wheat farming, row crops and livestock production, derives its increasing success from the Columbia Basin irrigation project - one of the World's largest. In addition to the smaller chemical, wood pulp and assorted industrial plants recently located in the area, the large Hanford Works of the Atomic Energy Commission at Richland contributes to the prospering economy. It is anticipated that in 20 or 30 years hence the Tri-Cities will threaten Spokane's position of industrial prominence. As the number of bank customers with increasing credit requirements grows with the expanding local economy, the need for another banking office in the area with a loan limit greater than Mid-Columbia's is evident.

The application states that Mid-Columbia desires this merger because of its inability to find among its own ranks a suitable successor for its chief executive officer who has announced his resignation and has declared his intention of selling his Mid-Columbia stock. When Peoples National Bank was consulted by Mid-Columbia for assistance in resolving their management succession problem, Peoples proposed this merger as a method of increasing the banking services to Mid-Columbia customers and as a means of obtaining a branch office in Pasco which would otherwise be denied to them by state law.

This merger promises to be beneficial to the Pasco-Kennewick-Richland-complex. While the substitution of Peoples National Bank for Mid-Columbia will leave the Tri-Cities National Bank as the only independent in the area, it will provide a local office of a different branch banking system to compete with the six existing offices of the three other well entrenched banking systems. This will provide four different banking alternatives, each with adequate resources, for the borrowers in this burgeoning community. Nor is there any solid reason to fear that the advent of Peoples National to Pasco will have an adverse effect upon the Tri-Cities National Bank which, since it was chartered in 1960, has continued to grow in competition with the branches of the other large banking systems.

Though the ten stockholders of Peoples National Bank who own 53.4% of its stock also own 49.9% of the stock of Mid-Columbia Bank, the officers of both banks insist that the management of each bank is completely separate and independent of the other. Whether or not they are thus technically affiliated is immaterial since it is quite apparent that merger or sale of Mid-Columbia to any other bank than Peoples National is effectively blocked. This high degree of common ownership of both banks indicates that there will in all probability be no change in policies after merger.

This proposed merger viewed in the light of all the statutory criteria gives every indication of fostering the public interest. The application is therefore granted effective on or after April 4, 1952.

James J. Saxon
Comptroller of the Currency

Dated: March 29, 1952

GX H-12

REPORT BY THE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

to the

Comptroller of the Currency, under section 18(c) of the Federal Deposit Insurance Act, on the competitive factors involved in the proposed merger of

Mid-Columbia Bank of Pasco, Pasco, Washington

with and into

Peoples National Bank of Washington in Seattle, Seattle, Washington

THE PROPOSAL

Peoples National Bank of Washington in Seattle, Seattle, Washington posits $231,820,000 as of December 31, 1961) (Peoples), has requested prior itten consent of the Comptroller of the Currency to merge with Mid-Columbia k of Pasco, Pasco, Washington (deposits $3,479,000 as of December 31, 1961) d-Columbia). The present head office of the latter bank would be operated a branch of the resulting bank, and an application to establish an in-town nch by Mid-Columbia, now pending, would be abandoned.

THE COMMUNITIES AND BANKING AREAS INVOLVED

Seattle, the seat of King County, Washington, has a population of 7,087, and is one of the leading industrial and commercial centers in the stern United States. Within the standard metropolitan statistical area used r census purposes are 1,107,213 persons in King and adjacent Snohomish nties.

Pasco, Washington, population 14,522, is situated on the Columbia ver approximately 230 miles east of Seattle and directly across the river m Kennewick, Washington, population 14,244. These two cities together with chland, 15 miles west, are known as the "Tri-Cities." The nature of this a has been traditionally agricultural; however, in recent years there has en rapid industrial development. The present outlook for continued growth d development is favorable.

I. COMPETITION BETWEEN THE TWO INSTITUTIONS

Under present banking laws of the State of Washington, banks are hibited from establishing branches, other than in the head office city, in y other city or town where there is located an existing banking office, except

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through the acquisition of that banking office. Consequently, Peoples could not establish an office in Pasco except through the acquisition of Mid-Columbia or the other local bank, Tri-Cities National Bank (estimated total IPC deposits $1.2 million as of December 31, 1961).

Peoples has 29 banking offices located in seven of the State's 39 counties, including its head office in King County (Seattle), four branches in Grant County, and one each in Skagit, Kitsap, Snohomish, Grays Harbor, and Adams Counties. The nearest office of Peoples to Mid-Columbia is at Othello (Adams County), about 40 miles north. The primary service areas of the merging banks do not overlap and there is little evidence of existing competition between them.

Peoples and Mid-Columbia have no common depositors. Common borrowers arise only through the purchase and sale of participations between the two banks. As of December 31, 1961, there were seven loan participations outstanding with balances totaling $42,058 which had been purchased by Peoples from Mid-Columbia. There was also one loan of $15,000 sold by Peoples to Mid-Columbia. Only to the extent noted above are there any deposits and loans of either bank originating in the other's service area.

Interest rates, fees, and service charges of the two banks are fairly comparable. Where there is a difference it is more than likely that the higher amount is found at Peoples, although in many instances the difference is due to the more comprehensive schedules of rates and charges in effect at Peoples. Rates and charges of the resulting bank will generally conform to those of Peoples, except for local competitive conditions and existing contracts.

As of December 29, 1961, Peoples held 642 accounts in its trust department with carrying value exceeding $153.3 million. Mid-Columbia does not have trust powers.

Comparing the deposit structures of the two banks, Peoples shows a ratio of 65-35 between demand and time deposits; Mid-Columbia has a 72-28 ratio. Approximately 82 per cent of Peoples' demand deposits are those of individuals, partnerships, and corporations (IPC), while at Mid-Columbia IPC deposits are 71 per cent of total demand deposits. In both banks, IPC time deposits equal 100 per cent of total time deposits.

With the exception of differences in amounts of commercial and industrial loans and loans to farmers, the loan portfolios of the two banks are fairly similar. At Peoples, commercial loans equal 42 per cent and loans to farmers total only four per cent; these percentages are 11 and 28, respectively, at Mid-Columbia.

Virtually no competition exists between the two banks. Shareholders of Peoples who own 57 per cent of the outstanding capital stock of that bank also own 66 per cent of the capital stock of Mid-Columbia.

V. EFFECT ON OTHER INSTITUTIONS

As of June 30, 1961, there were 88 insured commercial banks in the State of Washington holding total deposits exceeding $2,791 million and loans exceeding $1,473 million. In addition, there were four mutual savings banks with total deposits and loans of $394.7 million and $284.5 million, respectively. Peoples, operating 29 banking offices in seven of the State's 39 counties, was the third largest commercial bank in the State, holding 8 per cent of total deposits and 7 per cent of loans, and fourth largest of all banks, commercial and mutual savings banks. The two largest banks, Seattle-First National Bank, Seattle, and National Bank of Commerce, Seattle, together controlled 53 per cent of commercial bank deposits and 47 per cent of deposits of all banks in the State. Washington Mutual Savings Bank, Seattle, held 9.5 per cent of total deposits and 12.4 per cent of loans.

The following table indicates the present competitive banking situation in the primary service area of Mid-Columbia (dollar amounts in thousands as of most recent date available - some data have been estimated):

	Total Deposits		Loans	
	Amount	Per cent	Amount	Per cent
MID-COLUMBIA BANK, Pasco	$ 3,479	11.9	$ 1,475	10.3
Seattle-First National Bank				
Branch at Kennewick	3,576	12.3	1,600	11.2
Branch at Pasco	11,104	38.2	5,500	38.4
National Bank of Commerce, Seattle				
Branch at Kennewick	9,738	33.5	5,000	34.9
Tri-Cities National Bank, Pasco	1,200	4.1	750	5.2
Totals	$29,097	100.0	$12,325	100.0

The proposed merger would add but one-tenth of one per cent to the State-wide total of deposits held by Peoples. There would be no significant change in the present banking situation in the State, or in Peoples' position in its service area, which is chiefly in and around Seattle.

Competition would undoubtedly be increased in the area currently served by Mid-Columbia. The impact of the proposal on Tri-Cities National Bank, Pasco, the smallest and only remaining independent bank in the area, would probably be adverse. This bank, opened for business in November 1960, has experienced fairly favorable growth in view of existing competition; however, its ability to remain an active competitor and to share in the expansion now taking place in this area is open to some speculation.

Competition provided by savings and loan associations, insurance companies and other financial institutions is quite substantial in the Pasco-Kennewick-Richland area. Branches of four Spokane, Walla Walla, and Yakima, Washington, savings and loan associations in Pasco and Kennewick (aggregate share accounts $11.7 million and loans $26.8 million) are the chief competitors.

V. CONCLUSION WITH RESPECT TO COMPETITIVE FACTORS

There is virtually no competition between the participant banks. The proposed merger would have little effect on the competitive banking situation in the Seattle area or in the State of Washington, where Peoples National Bank now holds less than 8 per cent of both deposits and loans of commercial banks. However, competition in the Pasco-Kennewick community would be increased, possibly to the detriment of Tri-Cities National Bank, Pasco, the remaining independent bank in the area. The proposed merger would continue the trend toward concentration of banking resources in Washington, a State where three banks now control about 61 per cent of commercial bank deposits.

NOTE

As required by section 18(c) of the Federal Deposit Insurance Act, this report is limited to "a report on the competitive factors involved," and is not a recommendation as to whether the application should be approved or disapproved.

CH B-13 ATTORNEY GENERAL

March 9, 1962

Memorandum to
THE BOARD OF REVIEW
and
THE BOARD OF DIRECTORS
Federal Deposit Insurance Corporation

PEOPLES NATIONAL BANK OF WASHINGTON IN SEATTLE
SEATTLE, WASHINGTON

SUBJECT: Request by the Comptroller of the Currency for Report on the Competitive Factors Involved In a Proposed Merger.

Pursuant to the provisions of Section 18(c) of the Federal Deposit Insurance Act, the Comptroller of the Currency on February 15, 1962, requested from the Corporation a report on the competitive factors involved in the proposed merger of the MID-COLUMBIA BANK, PASCO, WASHINGTON, (Mid-Columbia), total resources - $3,837,000, into and under the charter and title of the captioned bank (applicant), total resources - $251,145,000. The sole office of Mid-Columbia will be continued as a branch of the applicant.

RECOMMENDATION OF THE DIVISION OF EXAMINATION:

It is recommended that this memorandum constitute the Corporation's report to the Comptroller of the Currency and that a copy of same be transmitted to him with a statement to the effect that consideration has been given to the elements of competition involved (including any tendency toward monopoly) and, without regard to the banking factors, the Board of Directors has concluded that the effect of the proposed transaction on competition would not be unfavorable.

SUMMARY AND CONCLUSIONS

The applicant, the third largest bank in the State of Washington, proposes to merge a small bank in Pasco, Washington, about 230 miles southwest of the applicant's main office in Seattle. The banking resources of Washington are concentrated in the State's two largest banks, the Seattle-First National Bank and The National Bank of Commerce of Seattle, which control approximately one-third and one-sixth, respectively, of the aggregate bank deposits of the State. The acquisition of Mid-Columbia whose deposits are 1/5 of those of the applicant will not materially affect the latter's relative competitive position. It does not appear that the merger will have any effect on state-wide or Seattle banking competition.

Banking in Mid-Columbia's service area is also dominated by branches of the State's two largest banks. Branches of the National Bank of Commerce hold 32.9% and the branches of Seattle-First National Bank hold 55% of the area's deposits. Thus, the operation of Mid-Columbia's office as a branch of the applicant should not adversely affect competition in this area and more probably would increase it. The larger unit bank, which is already competing with branches of significantly larger banks, and is allied with a larger branch bank, should not be adversely affected by consummation of the subject proposal. There is no evidence of competition between the merging banks.

It is concluded that the proposed merger does not involve a tendency toward monopoly and would not have an unfavorable effect on competition.

The application indicates that the proposal is the result of the tender of the resignation of Mid-Columbia's chief executive officer and his desire to dispose of his stock holdings in Mid-Columbia. Suitable replacements were not considered available among the staff and it also seemed difficult to find a proper replacement. The application further states that competition in Mid-Columbia's trading area from the two largest banking chains in the State made future development and growth of Mid-Columbia difficult without strong and aggressive management and adequate capital funds to care for the increasing needs of the industrial growth taking place. Applicant feels that it can supply, through the proposed merger, the needed management and capital, and furthermore is interested in having representation in the area and desires to expand its services in the Columbia Basin.

GX H-14

October 20, 1961

Memorandum to
THE BOARD OF REVIEW
and
THE BOARD OF DIRECTORS
Federal Deposit Insurance Corporation

THE OLD NATIONAL BANK OF SPOKANE
SPOKANE, WASHINGTON

SUBJECT: Request by the Comptroller of the Currency for Report on the Competitive Factors Involved in a Proposed Purchase of Assets and Assumption of Liabilities

Pursuant to the provisions of Section 18(c), revised, of the Federal Deposit Insurance Act, the Comptroller of the Currency on September 21, 1961, requested from the Corporation a report on the competitive factors involved in a proposed purchase of assets and assumption of liabilities of the WALLA WALLA NATIONAL BANK, WALLA WALLA, WASHINGTON, total resources - $1,813,000 (hereinafter referred to as Walla Walla National) by THE OLD NATIONAL BANK OF SPOKANE, SPOKANE, WASHINGTON, total resources - $157,094,000 (hereinafter referred to as the applicant). The sole office of Walla Walla National will be continued as a branch.

RECOMMENDATION OF THE DIVISION OF EXAMINATION:

It is recommended that this memorandum constitute the Corporation's report to the Comptroller of the Currency and that a copy of same be transmitted to him with a statement to the effect that consideration has been given to the elements of competition involved (including any tendency toward monopoly), and, without regard to the banking factors, the Board of Directors has concluded that the effect of the proposed transaction on competition would not be unfavorable.

SUMMARY AND CONCLUSION

This proposal involves the absorption of a $1.8 million bank, operating its only office in Walla Walla, Washington, by a $157 million institution operating an extensive branch system serving the metropolitan area of Spokane, Washington, and most of the rich agricultural area in the southeastern portion of the State. The two communities are located about 160 miles apart and the nearest offices of the applicant to the sole office of the Walla Walla National are more than 60 miles away. There is no existing competition between the participating banks to be eliminated through this proposal.

In its general area, the applicant competes with 8 branches of The National Bank of Commerce of Seattle, Washington, and 17 branches of the Seattle-First National Bank, Seattle, both much larger institutions operating state-wide branch systems, and with 14 other independent banks ranging in size of resources from $500,000 to $53 million. Commercial banking in this area is dominated by the applicant and the Seattle-First National Bank, each of which controls over one-third of the deposits and loans in the area. Consummation of the proposal would have no noticeable effect on competition in this area, other than it may tend to increase the existing concentration of banking in the two dominant banks.

In its service area, the Walla Walla National competes directly with one independent bank which is over twelve times as large and also with branches of two much larger Seattle headquartered banks. That the Walla Walla National is at a distinct competitive disadvantage in the area is evidenced by the fact that in over two years of operation it has been able to attract only about 2.6% of the banking business from its competitors. Walla Walla is primarily dependent upon the agricultural lands surrounding it, and these characteristically are large holdings requiring large credit needs. Applicant's large loan limit and more experienced farm lending officers are much better suited to compete for this business which is the area's most important economic resource. In the Walla Walla community this proposal would enhance competition as a weak competitor would be replaced by a strong competitor equipped to give increased service in agricultural, commercial and consumer lending, as well as to provide additional trust services.

It is believed that the improvement this proposal would bring to competition in the Walla Walla community outweighs the effect of a slight further concentration of banking in the region, and it is concluded that the proposed transaction does not indicate a tendency toward monopoly and that its effect on competition will not be unfavorable.

ANALYSIS OF THE COMPETITIVE FACTOR

Applicant received its charter in 1891 and has not been involved in any reorganizations, mergers, consolidations or acquisitions in the past ten years. It is affiliated with the First National Bank in Spokane through both banks being about 71% owned by the Old National Corporation, a bank holding company registered under the Bank Holding Company Act of 1956. It is the sixth largest bank in the State and the largest bank in Eastern Washington, and operates an extensive branch system in Spokane (10 branches in the immediate vicinity) and 16 other branches in agricultural communities in the Southeastern portion of the State. A complete trust department is operated.

Walla Walla National received its charter on January 29, 1959, and has not been involved in any reorganizations, mergers, consolidations or acquisitions. It operates no branches and it does not have a trust department. It serves the city of Walla Walla, Washington, (population 24,536) and its immediate environs which includes the adjoining community of College Place having a population of 4,031.

To review the competitive banking situation in the State of Washington it is believed pertinent to note that the State is divided between what is generally known as Eastern Washington and Western Washington by the Cascade Mountains running north and south, dividing the State into two entirely different areas. Western Washington has high rainfall, is timbered and the economy is dominated by lumbering, manufacturing, fishing, shipping and international business. Eastern Washington is semi-arid with agriculture and its tributary businesses dominant. There are four large banks building State-wide branch systems in Washington: The Seattle-First National Bank; The National Bank of Commerce; the Peoples National Bank; all of Seattle, and the National Bank of Washington (Western Bancorporation) of Tacoma. As of December 31, 1960, these four largest banks in the State held 64.3% of the commercial bank

deposits in the State. All of these banks have reportedly been active in acquiring banks in Eastern Washington.

The applicant, sixth largest bank in the State, is the only bank operating a branch system with headquarters in Eastern Washington. It operates its main office and ten branches in the immediate vicinity of Spokane, Washington, the principal metropolitan center of Eastern Washington and Northern Idaho, and operates 16 other branches in various agricultural communities in Southeastern Washington. The 1960 census of Spokane is listed at 181,608 and applicant estimates the population of its head office service area at 217,000. Its general area extends from the mountainous region a short distance north of Spokane to the Snake River Basin some 80 miles to the South, and from the Idaho border to the Columbia River Valley approaches about 80 miles to the West. Walla Walla is not included in that service area. The applicant also has several branches in the rich, irrigated Yakima Valley, but due to topography this area is more tributary to Portland, Oregon, than to Spokane. Within this general area, applicant's total deposits, total loans, and offices are divided as follows:

	No. of Offices	Deposits	Loans
Spokane and immediate vicinity	11	92,116,000	49,685,000
Southeastern Washington	11	38,017,000	14,047,000
Yakima Valley	5	17,685,000	11,759,000
	27	147,818,000	75,491,000

In the immediate vicinity of Spokane, the applicant competes with three independent banks operating a total of eight offices and seven branches of the Seattle-First National Bank, Seattle, Washington, which has total resources of over $1 billion. On the basis of branch figures only, the Seattle-First National Bank has 41.7% of the deposits and 42.7% of the loans in this area compared with 32.1% and 33.2%, respectively, for the applicant and 41.3% and 42.1%, respectively, if the totals of the affiliated First National Bank in Spokane are added to those of the applicant. Throughout its South-

eastern Washington service area the applicant competes with eight other offices of the Seattle-First National Bank, five offices of the National Bank of Commerce, Seattle, Washington, which has total resources of $586 million, and with no less than twelve independent banks ranging in size from about $500,000 to $12 million. The proposed purchase and assumption will have no effect on competition in the Yakima Valley area and no further reference to that region will be made.

Walla Walla, Washington, is situated in the southeastern portion of the State about 160 miles south of Spokane. It is the only sizeable town in this section of the State and primarily serves the rich surrounding agricultural area with some light industry and food processing plants. The Walla Walla National, with only its main office, is in direct competition with the following banks and branches:

Name and Location	No. of Offices	IPC Deposits Amount	%	Loans Amount	%	Distance from Walla Walla National
Walla Walla National	1	1,176	2.6	611	2.7	
The Baker-Boyer National Bank of Walla Walla Eastgate Branch	2	26,575	58.9	12,773	57.4	3 blocks 1½ miles
Walla Walla County Branch (College Place) of	1	2,434*	5.4	1,704*	7.7	3 mi. W.
The National Bank of Commerce of Seattle (Total resources—$586 million)	1	14,923*	33.1	7,150*	32.2	2 blocks
Walla Walla Valley Branch of Seattle-First National Bank, Seattle (Total resources—$1,035 million)						
Total	5	45,108	100.0	22,238	100.0	

*—branch totals only.

The Walla Walla locality is not served by any branches of the applicant, whose nearest offices are located in a semi-circle to the north, northeast and northwest of Walla Walla at distances varying from 60 to 127 miles. In the intervening distance are two branches of The National Bank of Commerce of Seattle, located 20 and 30 miles northeast, respectively, of Walla Walla, and a branch of the Seattle-First National Bank, located about 30 miles northeast of Walla Walla. Regionally, Walla Walla is a part of the rich wheat land stretching to the south of Spokane. Banking in this region is dominated by the applicant and the Seattle-First National Bank, each of which controls more than one-third of the banking business in the area if that of the affiliated First National Bank in Spokane is combined with the applicant. If the proposed purchase and assumption is approved the applicant would be serving the metropolitan city of Spokane and all the farm area surrounding it and expand its branch coverage to include an area in the southeastern corner of the State extending about 80 miles to the west of the Idaho border and 120 north of the Oregon border. Combining the information developed by the investigating examiner, which excludes the Yakima Valley area, discloses the following distribution of banking offices throughout the area of the resulting bank: Amounts are in thousands.

Banks	No. of Offices	Deposits Amount	%	Loans Amount	%
Applicant	21	130,133	28.2	63,732	27.4
First National Bank in Spokane (1)	2	26,232	5.7	13,313	5.7
Walla Walla National	1	1,176	.2	611	.3
Subtotal	24	157,541	34.1	77,656	33.4
**Washington Trust Bank Spokane	5	46,711	10.1	21,778	9.3
Spokane National Bank Spokane	1	1,984	.4	1,101	.5
The Baker-Boyer National Bank of Walla Walla	2	26,575	5.8	12,773	5.5
The National Bank of Commerce of Seattle	8	27,899*	6.0	12,732*	5.5
Seattle-First National Bank Seattle	17	166,632*	36.1	89,160*	38.2
Twelve independent banks	12	34,727	7.5	17,630	7.6
Totals	69	462,069	100.0	232,830	100.0

(1)—Affiliated with applicant.
*—Branch totals only.

Applicant points out that the Walla Walla National as presently operated has not proven successful and that major stockholders have now decided to sell the bank. It further points out that at least two coast banks had expressed an interest in buying the bank and that a direct offer had been made by one. In an effort to maintain its competitive position in this portion of the State, the applicant also entered the picture, which is the immediate reason for this proposal. It was reportedly the contention of opponents to the establishment the Walla Walla National that that proposal was merely a subterfuge to allow the applicant to obtain a branch in Walla Walla which would otherwise have been impossible under State law. Nevertheless, it is quite obvious the Walla Walla National has been less than successful and is not providing any great amount of competition in the Walla Walla community, as after over two years of operation it has been able to attract only about 2.6% of the area's banking business from its competitors. Its absorption

by the applicant could hardly decrease competition and the proposal would enhance the office's prospects of competing on a more equitable basis.

There are no industrial banks or mutual savings banks with offices in the area of either bank, although Coast savings banks are said to have local representatives and compete actively for real estate loans. Two savings and loan associations are located in Walla Walla and hold $30,253,000 in repurchasable share accounts and loans of $28,415,000; five such associations are located in Spokane and hold $226,520,000 in repurchasable share accounts and $212,242,000 in loans. Insurance companies, sales finance companies and personal loan companies are reported to provide strong competition to both banks for loans. Forty-one credit unions operate in the service area of the applicant but there are none in the service area of the Walla Walla National. The Farmers Home Administration, the Federal Land Bank, the Federal Intermediate Credit Bank, and the Production Credit Association are reported as aggressive in their loaning activities in the service areas of both banks. Factoring is not important competition to either bank.

There are no common borrowers in the two banks, and only three common depositors. The latter have deposits of $63,000 in the Walla Walla National and $55,000 with the applicant. No deposits or loans of either bank are reported to originate from the other's service area except for two real estate mortgage loans with present balance of $214,000 which applicant made directly at the request of Walla Walla National. No other loans were originated by either bank which were placed or shared with each other or with any other bank.

There are no significant differences in interest rates and service charges on loans or other service charge schedules of the two banks. Schedules of competing banks are not available but reportedly customers' comments indicate they are generally competitive.

Walla Walla National does not operate a trust department but applicant does offer complete trust services

and is presently administering 640 accounts with trust assets totaling $38,810,000, assigned values being based on appraised value or cost at acquisition. The Baker-Boyer National Bank in Walla Walla operates a modest trust department and the Security-First National offers complete trust facilities in its head office but reportedly has no trust man in Walla Walla. Applicant indicates it will provide complete trust services in Walla Walla.

There is no common ownership or management of the participating banks. Director W. Turner Clack owns 32.9% of the stock of the Walla Walla National and is also reported to own 18.4% of the stock of the Spokane National Bank, Spokane, Washington; Director Kenneth E. Wasser owns 6% of the stock of the Walla Walla National. Applicant's Director H. R. Ebner owns 41% of the stock of the Security State Bank, Colton, Washington, and its president and director, D. E. Wallace, owns 26.5% of the stock of the Tri-Cities National Bank, Pasco, Washington. Otherwise, no director or officer of either bank is reported to own as much as 5% of the stock of any bank, including the participating banks, nor does any pension or profit-sharing trust established or administered by either. The Old National Corporation, registered as a bank holding company under the Bank Holding Company Act of 1956, owns 70.91% of the stock of the applicant and 70.74% of the stock of the First National Bank in Spokane. It does not own stock in any other bank. Walla Walla National is not affiliated with nor does it have a stock interest in any other bank.

GX H-15

REPORT BY THE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

to the

Comptroller of the Currency, under section 18(c) of the

Federal Deposit Insurance Act, on the competitive

factors involved in the proposed merger of

Spokane National Bank, Spokane, Washington

into

National Bank of Washington, Tacoma, Washington

I. THE PROPOSAL

Spokane National Bank, Spokane, Washington (Spokane National) (deposits $5,183,000 as of June 30, 1964), and National Bank of Washington, Tacoma, Washington (Tacoma National) (deposits $212,812,000 as of June 30, 1964), have made application for prior written consent of the Comptroller of the Currency to merge under the charter and title of the latter.

Spokane National's head office is in downtown Spokane and its sole branch is about 7.5 miles north of the main office. Tacoma National operates 33 offices, 3 of which are military facilities. Offices of Tacoma National are situated in the western and central sections of the State whereas those of Spokane National are in eastern Washington.

II. THE COMMUNITIES

Tacoma, the second largest city in western Washington, had a population of about 148,000 in 1960. This city is principally a diversified manufacturing center with some 500 companies providing an annual payroll in excess of $220 million. In addition, there are several large military installations in the immediate vicinity. Prospects for future economic growth in the Tacoma area are favorable.

Spokane (population about 182,000) is the State's second largest city and the principal one in the "Inland Empire" which is made up of eastern Washington, northern Idaho and western Montana. The Cascade Mountains form a natural barrier between the semiarid farm and range lands of eastern Washington and the more populous and industrialized areas in the western portion of the State. While agriculture is the most important factor in the economy of the "Inland Empire," lumbering and mining are also important. During recent years, there has been a steady increase in manufacturing in the area. Spokane serves as a trading center for the surrounding agricultural communities where peas, hops, apples, pears and wheat are produced.

III. COMPETITION BETWEEN THE TWO INSTITUTIONS

Because of the distance (about 180 miles) between applicants' nearest offices, it would appear that no competition would be eliminated by consummation of the instant proposal.

Tacoma National is a subsidiary of Western Bancorporation, Los Angeles, California, a registered bank holding company. Spokane National is a relatively new bank having commenced operations on July 1, 1959. Its sole branch was established on September 5, 1963.

Applicants did not furnish information regarding their rates of interest on loans, service charges or interest rates on savings deposits. Tacoma National operates a trust department whereas Spokane National does not offer fiduciary services.

The following schedule furnishes information about the types of loans held by the two banks.

	Per cent of total	
Loans	Tacoma National	Spokane National
Commercial and industrial	28.2	28.9
Real estate	36.3	19.0
Instalment	20.5	39.9
Farm (not on real estate)	6.8	3.7
All other	8.2	8.5
	100.0	100.0

No common ownership or management was reported.

IV. EFFECT ON OTHER INSTITUTIONS

The following schedule reveals the relative position of participants and other commercial banks in the State of Washington as of December 20, 1963.

Bank	Total deposits (000 omitted)	Per cent
TACOMA NATIONAL*	$ 203,578	6.3
SPOKANE NATIONAL	4,244	0.1
Combined	$ 207,822	6.4
Seattle-First National Bank	1,094,724	33.9
N/B of Commerce of Seattle	624,752	19.4
Peoples N/B of Washington in Seattle	251,782	7.9
Old N/B of Washington, Spokane	178,506**	5.5
Pacific N/B of Seattle	168,770	5.2
First N/B in Spokane	26,392	0.8
85 other commercial banks	675,572	20.9
Totals	$3,228,320	100.0

* A subsidiary of Western Bancorporation, Los Angeles, California, a registered bank holding company. This is the only commercial bank in the State of Washington controlled by Western Bancorporation.

** Includes deposits of The First National Bank of Pullman which was acquired subsequent to December 20, 1963. Old National Corporation, a registered bank holding company, which controls Old National Bank of Washington, also controls First National Bank in Spokane (deposits shown in the above schedule). Thus, this holding company controlled about 6 per cent of the total commercial bank deposits in the State as of December 20, 1963.

Since this merger would result in a relatively small increase in Tacoma National's size, the transaction would have little or no effect on competition in areas presently served by Tacoma National.

The competitive picture in Spokane and adjacent suburban communities is shown in the following schedule.

Name of Bank	Location and Number of Offices	Distance and Direction from Spokane National	Total deposits of area offices June 30, 1964 (000 omitted)	Per cent
SPOKANE N/B	Spokane, 2 offices	-	$ 5,183	1.6
First N/B in Spokane*	Spokane, Head Office and 2 branches	immediate vicinity	26,092	8.3
Old N/B of Washington, Spokane*	Spokane, Head Office and 9 branches	immediate vicinity	103,085	32.8
Seattle-First N/B	Spokane, 4 branches	immediate vicinity to 4.8 miles		
	Millwood, 1 branch	8.7 miles	131,171	41.7
	Dishman, 1 branch	7.5 miles		
	Opportunity, 1 branch	9.6 miles		
Washington Trust Bank, Spokane	Spokane, Head Office and 5 branches	immediate vicinity to 4.0 miles	49,061	15.6
			$314,592	100.0

* Affiliated Banks.

The foregoing schedule shows that Spokane is served by two large banks, two medium size banks and the relatively small Spokane National. Old National Bank of Washington, Spokane (a large bank), and First National Bank in Spokane (a medium size bank) are subsidiaries of Old National Corporation, a registered bank holding company. The other medium size bank, Washington Trust Company, Spokane, is well established with six offices in the area. Therefore, it does not appear that consummation of the proposed merger would have serious adverse effects on other banks in the Spokane area. The proposed merger would tend to stimulate competition among the area's largest banks.

At present, Tacoma National is the fourth largest commercial bank in the State. As its share of total commercial bank deposits in the State would be increased by only 0.1 per cent (from 6.3 to 6.4 per cent) if it is permitted to acquire Spokane National, its position would not be altered. (When Spokane National was organized, it was reported that the bank was being formed for the purpose of subsequent sale to some other banking group.)

There are four mutual savings banks in Washington (three in Seattle and one in Tacoma) which had deposits of about $511 million as of December 20, 1963. The Washington Mutual Savings Bank, Seattle, had deposits of approximately $383 million.

Nonbank competitors operating in the resulting bank's service area include savings and loan associations, insurance companies, credit unions, sales finance companies, factors, personal loan companies and direct lending agencies of the Federal Government.

V. CONCLUSION WITH RESPECT TO COMPETITIVE FACTORS

While consummation of the proposed merger of Spokane National Bank and National Bank of Washington, Tacoma, would have no adverse effects on competition, it would eliminate a viable and independent bank and mark the entry of Western Bancorporation into eastern Washington.

NOTE

As required by section 18(c) of the Federal Deposit Insurance Act, this report is limited to "a report on the competitive factors involved," and is not a recommendation as to whether the application should be approved or disapproved.

GX I-1-a

December 13, 1967

Board of Directors
Kennewick National Bank
303 W. 1st Avenue
Kennewick, Washington 99336

Gentlemen:

A copy of the November 9, 1967 report of examination is attached. It shows that the bank continues to have an excessive amount of loans subject to adverse comment, and losses are substantial. Note delinquency of 16% is very much out of line, and there are numerous lines not supported by current and complete credit information. The matter of liquidity continues to deserve your attention, and this also applies to the internal controls.

It is clear, we believe, that firm steps must be taken so as to prevent further deterioration. Following your January meeting, we shall appreciate receiving a letter outlining the steps taken to strengthen lending and collection practices, as well as the attention given to the other matters mentioned in the above paragraph and on page 2 of the report. Please also comment in detail with respect to the reduction or otherwise strengthening of each of the loans listed on page 7 and following. Copies of your response should be sent to the Comptroller of the currency, Treasury Building, Washington, D. C. 20220, and to National Bank Examiner Leonard L. Davis, 824 W. Lewis, Room 213, Pasco, Washington, 99301.

Very truly yours,

KENNETH W. LEAF
Regional Administrator of
National Banks
Thirteenth National Bank Region

attachment
bcc: Comptroller
R. F. McNeill, President,
Old National Bank of Washington
Examiner Davis

GX I-1-b

April ?? 1967

Board of Directors
Kennewick National Bank
303 W. 1st Avenue
Kennewick, Washington 99336

Gentlemen:

A copy of the April 1, 1968 report of examination is attached. We are pleased to note the improvement in the bank's liquidity. Unfortunately, the bank continues to have a substantial volume of weak paper that is deserving of resourceful and aggressive supervision. We also urge that charge-off loans be given similar attention so as to realize the maximum possible recovery.

So that we may be kept abreast, following your May meeting, we shall appreciate receiving a letter discussing in detail the progress in reducing or otherwise strengthening the loans listed on page 7 and following. Please send copies of your reply to the Comptroller of the Currency, Treasury Building, Washington, D. C. 20220 and to National Bank Examiner Leonard L. Davis, 824 West Lewis, Room 213, Pasco, Washington 99301.

Very truly yours,

KENNETH W. LEAF
Regional Administrator of
National Banks
Thirteenth National Bank Region

attachment

bcc: Comptroller
R. F. McNeill, President,
Old National Bank of Washington
Examiner Davis

GX I-1-c

December 13, 1967

Board of Directors
Kennewick National Bank
303 W. 1st Avenue
Kennewick, Washington 99336

Gentlemen:

A copy of the November 18, 1968 report of examination is attached. While we are pleased to note that most of the loans are classified as doubtful, the volume of credit otherwise classified is substantial. Accordingly, we strongly urge that this paper receive the benefit of resourceful and aggressive supervision toward the end that the bank's position will be improved. The violations of law referred to on page 6-A require remedial action.

Following your January meeting, we ask to receive a letter concerning the status of the violations and comments in detail concerning the reduction or otherwise strengthening the loans listed on pages 7 through 7-B. Please send copies of your reply to the Comptroller of the Currency, Treasury Building, Washington, D. C. 20220, and to National Bank Examiner Leonard L. Davis, 824 West Lewis, Room 213, Pasco, Washington 99301.

Very truly yours,

KENNETH W. LEAF
Regional Administrator of
National Banks
Thirteenth National Bank Region

attachment

bcc: Comptroller
R. F. McNeill, President,
Old National Bank of Washington
Examiner Davis

GX I-2

THE OLD NATIONAL BANK

SPOKANE, WASHINGTON

June 22, 1962

Mr. C. C. Fleming, Deputy Comptroller of the Currency
Treasury Building
Washington, D. C.

Dear Chap:

I am now doing some forward thinking about my next visit to the Comptroller's office. I plan to be in Atlantic City September 22nd through the 26th for the ABA.

If convenient to you and Mr. Saxon, I would like to call at your office on September 19, 20 or 21, preferably the 20th. In addition to a general visit, I would like to again review with you and Mr. Saxon our progress with Pullman, Pasco and Richland.

If the dates I suggest are not convenient to both you men, perhaps you could suggest another date that would tie in closely with the ABA.

With personal best wishes, and looking forward to seeing you on my next visit.

Sincerely,

DeWitt

DEW:A

DeWitt E. Wallace
President

RECEIVED JUN 22 1962

GX I-3

INTEROFFICE CORRESPONDENCE

FROM: Cleveland Anschell BRANCH:

SUBJECT: Possible branch in Albion or sponsorship of new bank in Pullman

DATE: May 7, 1971

THE NATIONAL BANK OF COMMERCE of Seattle

TO: Mr. Maurice F. Claeys
Assistant Vice President
Urban Affairs

In view of recent interest in a possible NBofC branch in Albion, I obtained some additional information about the town on my recent trip to Pullman for the Pacific Northwest Regional Economic Conference. This information is here supplemented with statistical data from standard sources.

Summary

Washington State University at Pullman has been growing rapidly and can be expected to continue its growth in the future. In consequence, the city of Pullman, heavily dominated by the University, will also continue to grow. Pullman appears to be easily able to support an additional banking office. The town of Albion, about 8 miles from Pullman, is one of those rare gems of a rapidly growing incorporated municipality with no banking office. Population was 687 in 1970, compared with 291 in 1960. Much of the population increase appears to be derived from settlement of WSU faculty in the town. Further growth from the same source is likely.

However, the town does not seem likely to provide adequate support for a banking office in the near future. It does not serve as a trading center for the surrounding countryside. In fact, it does not provide retail facilities for its own population; there are only two commercial establishments, a restaurant and a garage, while a grocery store formerly operated there went out of business some two years ago. There is no school; children are all bussed to Pullman. These factors may change sharply over the next few years as the population continues to increase, but for the present they are all negative.

It is also dubious whether a banking office in Albion would be able to develop any significant amount of business out of Pullman. However, it might be quite desirable for NBofC to help sponsor a new independent bank in Pullman. Sea-First, with one office, and ONB, with two rather inadequate offices in different parts of town, each has deposits in Pullman of roughly $15 million. The new Pullman State Bank, started in December 1970, had year-end deposits of about $½ million.

It is recommended that NBofC (1) consider the desirability of sponsoring a new bank in Pullman, and (2) if such sponsorship would not be desirable, continue to monitor growth of population and commercial development in Albion.

Population

Population data for Pullman and Albion are as follows:

	1960	1970
Pullman	12,957	20,509
Albion	291	687

WSU enrollment and staff

Enrollment at the University, and faculty, are as follows for recent years together with state projections. All figures are in terms of full-time equivalents. Faculty figures exclude Health Sciences.

	Students	Faculty
Fall 1960	7,144	NA
1961	8,215	463
1962	8,206	NA
1963	8,553	NA
1964	9,235	483
1965	10,162	543
1966	10,706	611
1967	11,304	643
1968	11,872	690
1969	12,983	695
1970	14,510	731
1971 (projected)	15,300	NA
1972 (projected)	16,500	NA

The above figures do not include several hundred non-academic staff, exact numbers unavailable.

It should be noted that the city population includes the student population.

Present banking offices

Sea-First has an office in downtown Pullman, with a drive-in, but somewhat remote from the campus and student residence areas. ONB has an office in the same area, with no drive-in. However, it also has a very small drive-in facility at a distant northwestern corner of the campus, in the same area with a modern supermarket and other commercial facilities. The new Pullman State Bank has its very small office in the same area.

None of these offices appears to be ideally located to serve the dominant student population. A location on the south side of the campus, if feasible, might be superior to serve students, faculty, the University hospital, local motels, and a professional office development to the southeast of town.

Potential for new bank in Pullman

As indicated above, present deposits in Pullman total around $30 million. This would increase about $2 million annually in relation to University growth. With favorable location, and competitive facilities a new bank could reasonably expect to obtain most of a full share of the total within several years. Turnover of student population would make the market penetration here more rapid than in other types of competitive situations.

The above comments should apply irrespective of whether we sponsor the existing new Pullman State Bank, or whether we sponsor a new bank.

Albion development

The following additional points were learned about Albion, from the school superintendent in Pullman:

(1) Water and sewerage problems, which until recently had hampered development in the town, have now been resolved. This should enable further residential construction to respond quickly to whatever demand there may be for accommodation in the town.

(2) At present, 181 students at all grade levels are bussed from the Albion area into Pullman, including 140-150 from Albion itself. If the 181 should increase to 250 or 300, a separate elementary school would be considered for the town.

Cleveland Anschell

Cleveland Anschell
Director of Marketing Research

CA:lb

cc: Mr. Becker
Mr. Abersfeller

GX I-4-a

INFORMATION MEMORANDA

NAME Phil H. Stanton — Washington Trust Bank

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
6/30/70 TRF:lap	Phil was in Seattle for a meeting of the state banking group and stopped in for a visit and we walked to the Rainier Club together. He again mentioned the salaries and automobile matters and I suggested we discuss salaries in detail at our next meeting. He is also concerned about his home in which I gathered he has invested in excess of $125,000. He asked about our program for transfering managers and I told him it involved in a general way an agreed upon acceptable average appraisal. In today's market, this may cost him some money and may need further consideration although I made no suggestion to that effect. Phil also mentioned that his bank pays the golf club dues for about six senior officers and a somewhat larger number at the Spokane Club. He said they have had no comments from the Internal Revenue Department on this score but he said none of the officers abuse their expense accounts and the agent may look at the overall totals. He made the comment that our retirement program was probably more favorable than theirs (which is non-contributary) and he thought we might be doing a better job on other fringe benefits. I asked him about the developments in Pullman and he said the application has been approved and practically all of the stock has been sold as of today. He did not mention the name of the manager and I did not ask him. He said he had agreed to make some loans on the stock at favorable rates and also had made similar advances on stock of the Security Bank of Washington in Ephrata upon the death of Gordon Fletcher. ooOoo

GX I-4-b

PULLMAN INFORMATION MEMORANDA BRANCH

NAME WASHINGTON TRUST BANK

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
1/23/70 TMF:lp	In talking with Phil Stanton recently, I asked if he would care to tell me whether they were involved in the proposed new bank for Pullman, Washington.
cc:HDH	Confidentially, he said they were active in it and McLaughlin is assisting them at Phil's request. I asked him if they had selected a manager as yet and he said they had but he could not release his name at this time. We had heard that Emil Schell was involved, although I think Phil would have mentioned that if it were the case.
	He said the stock of the proposed bank had been well received and apparently has sold.
	ooOoo

GX I-4-c

CREDIT MEMORANDA

NAME PROPOSED BANK IN PULLMAN Pullman, Washington

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
4/16/69 FAA:jk	During a visit with Earnie Baker, President of the Washington State Bank in Everett, today, he mentioned that Pullman is a prime target for a new unit bank. He said that sometime ago there was an expression of interest, but for some reason it waned away. Earnie mentioned two people in Pullman who are very interested in developing a bank in the city. They are Mr. Al Cole, partner of C. & S. Construction Company and Mr. Percy Nixon, a partner of C. & S. Construction Company. Mr. Nixon was formerly the City Engineer in Pullman and resigned sometime ago to become a partner in the construction business with Mr. Cole. According to Earnie, these two fellows are real "hummers", plenty of get up and go. Evidently, they are very successful in their business enterprises and are well acquainted in the community and surrounding areas of Pullman. Jim Pratt tells me that he knows Mr. Nixon quite well and has a very high regard for his business acumen, integrity, and honesty. While Jim was in Clarkston, he made small loans to Mr. Nixon when he was City Engineer in Pullman. Mr. Nixon is very highly regarded and one of the better city servants in the political scene. I have asked our Credit Department to obtain a Dun & Bradstreet Report on C. & S. Construction Company, and it is attached.

CR. 703 R40

GX I-4-d

Price Dep. Ex. 9

CREDIT MEMORANDA

PULLMAN

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
5-7-68 AP:vs	On two occasions recently, first in a conversation with Mr. Workman, Manager of our Endicott Branch, and then yesterday morning in Clarkston in a conversation with Mr. Baker, Manager of that branch, the subject of our being in Pullman came up. As a result I visited Pullman yesterday afternoon 5-6-68. It had been a number of years since I had been in Pullman, and frankly, I was most surprised at how much the University and the community itself had grown. There are fine new homes south of Pullman on the hill tops adjacent to the city in the direction of Clarkston, and there are other new homes on the west side of the city toward Colfax. Student enrollment at the University has increased substantially and there are new merchants in evidence. The community has an air of prosperity that made me envious of ONB and Seattle-First. ONB has about $16 million of deposits and Seattle-First has about $10 million. Washington Mutual Savings Bank, which has been in the community of Pullman for about 3 years, has $5½ million of deposits. Except for ONB the facilities of the other banks seem totally inadequate. ONB has attractive quarters, but neither it nor Washington Mutual have a drive-in facility downtown (ONB has a nearby drive-in facility.). Seattle-First does have a drive-in facility that is almost unusable it is so cramped. I am satisfied from correspondence Mr. Mills has had that we could easily find sponsorship for a new unit bank in Pullman. Such a unit bank could branch adjacent to nearby Colfax, the county seat, and a city which is also clearly prosperous. Its total economy, however, is based on agriculture while Pullman's is based on the University with some agricultural overtones. I recommend that the NBofC promptly seek out sponsors for a unit bank in Pullman and that Mr. Earnest Baker, Manager of our Clarkston Office, who has several important customers in Pullman, be asked to devote a major portion of his time to whatever extent is necessary to promote this unit bank. - - - - -
5-28-68 AP:vs	On 10-20-67 a Mr. E. N. Klemgard submitted to the Whitman County Planning Commission a comprehensive report on the population characteristics of Whitman County. Many parts of the report contain references to the city of Pullman, which in 1960 had a population of 31,263 people. The median forecast for future years is as follows: Pullman: 1970 23,695 1980 31,281 2000 47,020 2020 76,755

CR. 703 1160

GX I-4-e
Price Dep. Ex. 11

CREDIT MEMORANDA

NAME PULLMAN

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
5-28-68 AP:ws Cont.	While Pullman is expected to grow at the rate indicated, the next largest community, Colfax, is expected to increase in population fro a 1970 estimate of 3,146 to a 2020 estimate of 4,452. Among the smaller communities, St. John is expected to show a growth of about 300 people over the next 50 years, while Albion, which now has approximately 530 people, will increase to 1,529. Albion is a suburg about 7 miles outside of Pullman. Endicott, where we have a branch, is expected to remain at about 369 people over the next 50 years. Of the 23,695 people that Pullman is expected to have in 1970, 12,400 will be enrolled at the University and 11,295 will represent all of the other population in the community. The following schedule suggest the impact of the increasing size of the University on the whole community:

SUMMARY OF POPULATION FORECASTS
CITY OF PULLMAN 1970-2020

Year	WSU Enrollment	All Others	Total Pullman
1970	12,400	11,295	23,695
1975	14,880	13,660	28,540
1980	17,480	13,801	31,281
1985	20,080	14,799	34,879
1990	22,490	16,735	39,225
2000	27,440	19,580	47,020
2020	38,440	38,315	76,755

	WSU's 1967/1969 biennial budget was $85,286,000, or an average yearly budget of $42,643,000. Mr. Klemgard's study contains a good history on the growth of WSU and sufficient data to meet most of the requirements for an application to the Comptroller of the Currency. The Klemgard study is being kept in Mr. Erickson's office.
4-25-69 AP:ws	Today I talked to Mr. Carlson about pursuing the formation of a unit bank in Pullman. He felt that unless there was some urgency, he wou prefer a delay to doing anything. I told him that I felt that inter had been expressed and if we did not show an interest, another orga tion might. In the near future, I will call our banking friends in Spokane at the Washington Trust Bank (Old National Bank already has bank in Pullman) to let them know of our interest.

CR. 703 REV

GX I-5

Buck Dep. Ex. 6 - Price Dep. Ex. 10

MINUTES

BRANCH EXPANSION COMMITTEE

Meeting May 22, 1968

2:30 P.M.

Present: Committee members: Messrs. Buck, Faragher, Macdonald, Olswang, Price, Stowell and Svare. In addition the following officers were present: Messrs. Dunham and Mills.

Following is the agenda for this meeting which is made a part of the minutes:

1. Relocation of Tukwila Office.
2. Review relocation of present Overlake Park Branch to Evergreen East Shopping Center.
3. Review necessity for considering relocation of Westlake (Moses Lake) Branch.
4. Review unit bank possibilities in Pullman, Washington.
5. Lamont Bank of St. John.
6. Uniontown.
7. Broadway area location, Seattle.
8. Westlake area location, Seattle.
9. Lewis & Clark Theatre intersection.
10. Basin City.
11. Airway Heights.
12. Kingsgate.

Tukwila

Mr. Dunham reviewed the petition to the city of Tukwila for annexation of our so-called Tukwila Office. He said the petition should be heard on 6-17-68 and it should be possible to annex the area within 60 days following that, if no conflicts develop, or by August 17. A lease is being worked out with the 3-M Corporation for a period of 10 years. This property is across the street from the east side of Southcenter Shopping Center.

Overlake Park

The letter dated 5-20-68 from the Comptroller of the Currency to the bank concerning the relocation of the Overlake Park branch of Seattle-First from its present site to a site in the vicinity of the intersection of N.E. 40th Street and 156th Ave. N. E. was reviewed. This is the northwest corner of the Evergreen East development of Allied Stores.

Mr. Price and Mr. Stowell reported on their visit with Mr. James Walsh, who said that no other banks had approached him on being in the Center, although we knew that Pacific National Bank had applied for a branch in the vicinity of the same intersection.

Mr. Buck later reported that Mr. Boys subsequently inquired concerning our interest in being in the Evergreen East Center which is scheduled for completion in September, 1970. The area will [illegible] according to Mr. Boys, and there will probably be two banks in the center.

It was the Committee's recommendation that the Comptroller's Office be contacted so that it will know of our interest in being in this center even though it may not be in the immediate vicinity of the other two applications.

Moses Lake/Westlake

The plight of our Moses Lake Branch at Westlake was reviewed. Because of rising water a number of homes and businesses in the Westlake community will probably be closed or condemned by the Reclamation Bureau. Mr. Dunham was asked to review this with Mr. Ehart and also to review the possibility of Moses Lake annexing a strip of property to include our branch in Westlake.

Pullman

There appears to exist an excellent opportunity for the encouragement of the formation of a unit bank in Pullman, Washington. Slides showing the current development of Washington State University and the community of Pullman were reviewed as well as were growth statistics on the community. The Committee recommended the encouragement of a new unit bank in Pullman.

St. John and Uniontown

Mr. Price reported on his recent visits to St. John and to Uniontown. Neither the bank at St. John nor the bank in Uniontown are doing the job for their communities that could be done. The deposits from these communities are carried outside of town and credit facilities must be arranged outside of town by many local people. The respective files contain information on the calls.

Broadway

Mr. Buck reported that the demographic survey on the Broadway area location was substantially completed. A completed application should be ready for forwarding to the Comptroller by 6-5-68. He said that a letter of invitation had been received from Mr. Wernentin on behalf of the AGC invit NBofC into that organization's new structure on Westlake Avenue.

Westlake

The same firm which made the Broadway study will make the one on Westlake area. It was reported that Bartell Drugs plans a new drug store the north of our proposed location and that the Marina Mart will be substa tially improved. An application will be prepared when that study is compl

Lewis and Clark Theatre

This location on Pacific Highway South was again discussed but t Committee's attention was called by Mr. Olswang to a proposed Safeway Stor Shopping Center on the north side of the interchange where Pacific Highway South crosses the access road from the freeway to the north end of the Air Safeway plans to build a 21,250 sq. ft. store at this site which is just w of the former Food Giant Store. The Center will incorporate the abandon

Food Giant location which will be developed with small shops. The Committee determined to defer further consideration of this site until Mr. Olswang is able to review the Port of Seattle's plans for a north access to the airport with Mr. Fred Crawford.

Seattle-Tacoma Airport

The airport location seems especially important in view of the Port's annual report relating to plans for completion of the access road and its link to the freeway. The annual report indicates that the Airport handled 3,385,000 inbound and outbound passengers during 1967, a 36% increase over the previous year. A big factor was the new traffic brought in by three new carriers which began service to Seattle in June 1967. Air cargo in 1967 of 107,000 tons represented a gain of 32%. While the impact inVietnam contributed substantially to both types of traffic, the Airport continued to increase its facilities. United Airlines employs 1,800 people at the Airport. Northwest Airlines employs approximately 1,200 people. A high priority was given to this location.

Kingsgate--NE of Kirkland; Auburn--Southwest King County

The Committee reviewed the Kingsgate area developments northeast of Kirkland. It was advised of a new residential development near the King and Pierce County lines which may contain 2,000 housing units, and may ultimately, be annexed to Auburn.

4th & Pike Office & Third & James Office

The Committee again reviewed, without any action, this location and the suggestion of Mr. Buck's that consideration should be given to relocating the Third & James Branch to the new Third & Columbia Building. This matter was referred to Mr. Dunham for review of our Third & James lease.

Lynnwood, Security Bank of Lynnwood

Mr. Buck was asked to contact Jim Howells of the Security Bank of Lynnwood concerning the acquisition of that bank by NBofC. That bank could branch into the proposed Lynnwood Shopping Center being developed by the Bon Marche which is expected to be as large as Northgate and the Tacoma Mall. If the bank cannot be acquired, the Committee's recommendation is to sponsor a unit bank to be completed in the shopping center.

Basin City

The Basin City location in the Columbia Basin was reviewed again in the light of the Peoples National Bank application for a mobile banking office to serve Mesa, Mattawa among other communities. Basin City is still the choice of all NBofC people familiar with the area and the urge that a branch of NBofC somehow be established or acquired in the Othello area.

Airway Heights

Mr. Price reported on a recent visit to Airway Heights, which has grown, but continues to be an unattractive collection of restaurants, motels and gas stations. It is too remote from Spokane to be a likely community for annexation.

Meeting adjourned.

Andrew Price, Jr., Chairman

Highest Priority List:

1. Broadway
2. Westlake
3. Application to relocate Tukwila Branch adjacent to Southcenter Shopping Center.
4. Application to relocate Overlake Park Branch to Evergreen East Shopping Center.
5. Seattle-Tacoma Airport
6. Pullman
7. Lynnwood - Bon Marche

GX I-6-a

CREDIT MEMORANDA

NAME BANK OF VANCOUVER Vancouver, Washington

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
5/24/66 TKF:lp	AP, Jr., RJS and I discussed this situation and decided that I should call Don Kallstrom and ask him to make a contact with the President, Wesley Fish, to see if they were thinking about selling the bank and if they would be interested in talking with us. Don made the contact and Fish said they were still looking for an officer to run the bank and the possibility of a sale had not entered their minds up to this point. Don gave me the impression that Fish might talk to his Board about it although he expressed some feeling that he would like to have the bank doing better before they talked about a sale. Don said that the former Executive Vice President, Kenneth McElhaney, had borrowed money from the Joshua Green Corporation to buy stock in the Bank of Vancouver and I understood the corporation owned some stock itself but McElhaney previously had told Don that control of the bank was in Vancouver. When Cresswell was approached about the job, however, he was told that his selection would have to be approved by The Peoples Bank. Fish is aware that we would like to talk with him any time they are thinking along these lines. ooOoo

CR. 703 R60

GX I-6-b

CREDIT MEMORANDA

NAME BANK OF VANCOUVER Vancouver, Washington

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
5-19-66 AP:ws Cont.	Mr. Kallstrom said that the Bank of Vancouver's largest stockholder was a Mr. Wesley Fish, who was reported at one time to own about 45% of the bank's stock. Mr. Fish is president of the bank. The bank opened in August, 1965. It has deposits of $1,200,000 compared to $1,300,000 on 12-31-65. Thus far, the bank is reported to have lost about $70,000. Goodwin Chase has been talking to officials of the Bank of Vancouver even though, we understand, that it is a People's sponsored bank.
	- - - - -
5-19-66 APiws	On Tuesday of this week Don Kallstrom, VP & Mgr. at our Vancouver Offi[ce] called me to say that Mr. Kenneth McElhaney was rumored as being consid[ered] as president of the Bellingham National Bank. Mr. Kallstrom learned this because Jim Cresswell had been offered the job, presidency of the Bank of Vancouver, but he had declined this offer. I called Marvin Morgan at Bellingham at the time, but he had not heard the rumor. Today Mr. Morgan called me to say that the rumor had been confirmed and the radio carried the report this morning that Mr. Kenneth McElhaney was becoming president of the Bellingham National and that Mr. Zehnder would become executive vice president and become less active for health reasons.

CR. 703 R69

GX [illegible]

CREDIT MEMORANDA

RICHLAND BRANCH
National Bank of Commerce
RICHLAND, WASH.

DAWSON-RICHLANDS

TE SOURCE	COMMENTS OR SUNDRY INFORMATION
3/30/64 JTB	Grover Dawson told me today that because he was a stockholder in the "Bank of Richland", he was transferring the company business from us to the new bank. It must be assumed that he has been subject to extreme pressure, just as many of our customers, to make such a transfer. This pressure is being applied to stockholders and non-stockholders alike.
	Mr. Dawson has always been a fine booster for us, but he has been swayed by the opportunity "to make a quick buck" — the basis upon which new banks are being introduced into economic life. Frankly, it is very disturbing to many of us in the banking fraternity that a business so closely associated with "public interest" and so closely identified with security, confidence, and dignity, has become a field for speculative venture.
	Mr. Dawson says he will move bank to us after the Old National Bank buys them out — which was virtually a contract arrangement at the time the bank was organized.

GX I-8-a

THE NATIONAL BANK OF COMMERCE
OF SEATTLE

From: Kennewick BRANCH

SUBJECT: New bank for Kennewick

DATE: May 8, 1964

MAY 11 1964

To:

Mr. Robert M. Mills, Vice President

Head Office

Dear Bob:

Quite likely you know that application has been made for a new National bank in Kennewick, as we notified Head Office when we learned of it about ten days ago, and then a day or two later I discussed it over the telephone with Mr. Carlson.

I have talked with two of the named organizers, both of whom are customers of this Branch to try to determine who might be the head of the organization, and apparently this has not been determined as yet. The location is fixed, and will be about four blocks from our office, on the next street South, which is towards the Albertson market.

There is no question but that, with the principals mentioned to me, this movement is being carried out by the same organization that is behind the Tri Cities National Bank and the Bank of Richland.

I have indicated our intention to be on a friendly and clean competitive basis with this bank, in the event it is authorized, and have solicited a correspondent account, with the suggestion that an account be opened with us as soon as funds are being subscribed for capital stock. I have no assurance that this business might be forthcoming, but anyway I "asked for the business". I also emphasized the benefits to be derived by using our Investment Department for secondary reserve investment income.

Whenever there is anything further to report, I will write.

Sincerely,

Lyle

L. B. Beavers
Vice President and Manager

LBB:b

GX I-8-b

INTER-OFFICE CORRESPONDENCE

FROM Head Office BRANCH

SUBJECT Kennewick National Bank
Kennewick, Washington

THE NATIONAL BANK OF COMMERCE OF SEATTLE

DATE June 5, 1964

TO Mr. L. B. Beavers
Vice President and Manager
Kennewick Branch

Dear Lyle:

Thank you for the information enclosed in your letter regarding the Kennewick National Bank.

As I recall, your investigation of the background of the organizers does not indicate what major bank is behind the application. However, it would be my assumption it is the Old National Bank. You will remember our experience with a correspondent bank relationship in Seattle for the Bank of Richland which ended up with Pacific National Bank. The new Kennewick bank would need a Seattle correspondent but they may resist coming with us with the same excuse used by the Bank of Richland - that it would prohibit their competing with us in the area.

We would be interested to learn who is financing the directors and purchasers of the bank stock?...terms?...rate?

Bank competition is becoming increasingly strong in many areas and will require a greater concentration of good service by our branches. You may have read recently that a new bank, "American National Bank," is going into Edmonds and will be open early in July.

Sincerely,

Robert M. Mills
Vice President

RMM:LC

GX I-9-a

CREDIT MEMORANDA

NAME ADAMS COUNTY NATIONAL BANK
PROPOSED NEW BANK IN OTHELLO — OTHELLO, WASHINGTON

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
3-16-64 HOH:LC	In a conversation with Kenneth D. Johnston, Jr., President of the First Union National Bank, he mentioned a new group is applying for a charter to start a bank in Othello in the name of the Adams County National Bank and that they would need a Seattle correspondent. He also mentioned the Old National Bank of Washington, Spokane is behind the Othello group which apparently has received deposit pledges of 1¼ million dollars.

Opened 1964
Merged
OCNB
12-16-66
(OTHELLO FIRST NAT'L)

CR. 703 960

GX I-9-b

INTER-OFFICE CORRESPONDENCE

FROM Vance Lehr BRANCH

SUBJECT Othello

THE NATIONAL BANK OF COMMERCE OF SEATTLE

DATE February 24, 1964

RECEIVED FEB 25 1964

TO Mr. Andrew Price, Jr.
Executive Vice President
Head Office

Dear Mr. Price:

This letter is to follow up our telephone conversation concerning the proposed bank at Othello.

The citizens of Othello are determined that they will have another bank in Othello because, in their opinion, Peoples National have not and apparently will not do the banking job they expect in their city. About two months ago I had, more or less, a casual approach from a group that was being headed by Pete Taggares. I was advised that they were in the process of making application for a state charter and that Pete Taggares would be the major stockholder. They were talking of a capital structure of approximately $1,000,000.00. Part of their ambitious plans were to consolidate with the Security State Bank of Ephrata. I advised them at that time, that if their approach was to see whether or not I personally would be interested in a Manager's job, I was not in the least bit interested, but if their approach was to see whether or not National Bank of Commerce would be interested in, more or less, sponsoring the bank such as the Old National has done in Pasco and Richland. I told Pete that I was sure that the National Bank of Commerce would not be interested in sponsoring the bank as such, but we would be willing, able and ready to help them all we could. I discussed this so called approach with Mr. Carlson while at the Manager's meeting and he advised me that National Bank of Commerce would assist, not sponsor. When I returned I got in contact with Pete Taggares again and he told me that he had dropped out of the group because his plans and ambitions were too optimistic for the organizers.

There is a new group that is attempting to organize a new bank with a national charter. They anticipate capitalizing at $400,000.00 with $200,000.00 in capital stock, $100,000.00 in surplus and $100,000.00 in undivided profits. This group is being sponsored by a bank, which I must presume to be the Old National Bank, but I have been unable to find out the name of the bank. Mr. Ed Emery, owner-operator of Emery's IGA, who is a friend, told me that there was a sponsoring bank, but at the moment he was not at liberty to advise me who it is. This new group is

being headed up by Dan Leary, publisher of the local Othello paper. The Othello Outlook is owned by Jessica Longston, who may have her finger in this new group. Some of the others in this new group besides Mr. Leary and Mr. Emery are Harvey Dirks, who owns a shoe store and has the liquor store concession; Mr. Hostetter, owner-operator of Hostetter Ford Sales; Elwood Guenther, manager of Guenther Irrigation, Inc. and Jack Vickery, owner-operator of Vickery's Shopping Center. Mr. Vickery was formerly the manager of the J. C. Penney's Store in Richland.

I will attempt to keep you advised of any further progress being made on their application. Our offer to assist them has been presented to the organizers by Mr. Ed Emery and he has promised to keep me advised.

Sincerely yours,

T. C. Ehart
Manager

TCE:mb

GX I-10-a

MEMORANDUM RE: Othello, Washington

Mr. Roy G. Hersh, Sr. of Othello called at the bank yesterday stating he had lived in Othello for 5 years and was a friend of Al Thiele of Wenatchee who suggested to him in Seattle that he stop in and see us about the new bank which started in Othello about a year ago.

Mr. Hersh, while here, met Mr. Glenn Carrington whom he had known years ago in Alaska when he covered that territory selling hardware. Mr. Hersh said the new bank had been operating 11 months and he understood that they had made loans totaling $36 000. He did not know the amount of deposits but said many citizens were unhappy about the situation and some of them, including himself, had checked out their deposits in favor of points near by. He mentioned Connell and Lind. Mr. Hersh did not know what might be done to remedy the situation but he was somewhat familiar with what has taken place at the Grant County State Bank at Ephrata and thought maybe some of the overlapping stockholders of these two banks might pursue the same course in which event some of the Othello bank stock would be available.

He said on his return home he would try to secure a list of the stockholders and would let us know whether he had any thoughts in the matter. He thought that Messrs. Joshua Green, Polacheck, Nordhorst and Higgins control the bank.

Mr. Hoerr and Mr. Phillips also visited with Mr. Hersh.

H. L. Boyd

April 18, 1952

GX I-10-b

NATIONAL BANK OF COMMERCE OF SEATTLE

COPY

Head Office

May 27, 1952

Mr. A. L. Thiele
Vice President and Manager
Columbia Valley Branch
Wenatchee, Washington

Dear Alf:

Thanks for your memorandum of the 22nd enclosing list of stockholders of the new bank at Othello.

Mr. Hersh was in Seattle some weeks ago, at which time he said he would be able to get these names for us. It would appear as if Mr. Green really owns most of the stock.

Sincerely yours,

H. L. Boyd
Vice Chairman of the Board

HLB:GS

GX I-11-a

CREDIT MEMORANDA

NAME PASCO

DATE/SOURCE	COMMENTS OR SUNDRY INFORMATION
2/6/52 CLP	John Schutt, our manager at Kennewick, called this afternoon and stated he had just learned that a Mr. Polacheck and Josh Green, Jr. were organizing a new state bank in Pasco; that there was no local capital involved; that the manager had already been selected but Schutt did not know his name. He said he talked to Mr. Pierce, the Pasco manager for Seattle-First. He said also that he had heard the story but he, too, did not know the name of the manager. Mr. Schutt got his information from a local contractor who was trying to find a location for them.

GX I-11-b

CREDIT MEMORANDA

NAME

DATE/SOURCE	COMMENTS OR SUNDRY INFORMATION
2-26-52 H.C.	In conversation with Lawrence Arnold yesterday I learned about two ite of general interest: Mr. Carroll, the present State Supervisor of Banking spent ten year with the Spokane and Eastern Trust Company and is therefore well know to Mr. Triplett and his associates. With regard to the promotion of a new State Bank at Pasco Mr. Arnol understands that Joshua Green is willing to take 45% of the total and Mr. Polachek is scheduled to subscribe for 6%, which would give them 51%. One large farmer apparently has indicated an interest in 10% and the remaining 39% would be sold in the Pasco area.

GX I-11-c

NATION BANK OF COMMERCE OF ATTLE

COPY

Head Office

August 12, 1952

Mr. John M. Schutt, Manager
Kennewick Branch
The National Bank of Commerce
Kennewick, Washington

Dear Mr. Schutt:

Thank you again for continuing to keep us informed regarding Josh Green's activities in Pasco. I have reviewed your letter with our senior officers and some other interested parties here at Head Office. It is important that we always be alerted to situations such as this because of its many ramifications and implications.

Sincerely yours,

Maxwell Carlson
President

MC:AH

GX I-11-d

CORRES 000

INTER OFFICE CORRESPONDENCE

THE NATIONAL BANK OF COMMERCE
OF SEATTLE

FROM Kennewick BRANCH SUBJECT:

DATE: August 14, 1952

To

Mr. Maxwell Carlson
President
Head Office

RECEIVED
AUG 18 1952
MES.

Dear Mr. Carlson:

I am attaching a clipping taken from last night's edition of the Tri-City Herald. You will note that our good friend, Mr. Lee, seems to be quite pleased that a local bank is going to open and that no mention was made of Josh Green's interest.

Sincerely yours,

John M. Schutt
Manager

J'Steee

GX I-11-e

INTER OFFICE CORRESPONDENCE

THE NATIONAL BANK OF COMMERCE
OF SEATTLE

FROM: Kennewick BRANCH SUBJECT:

DATE: September 12, 1952

TO:

Mr. Maxwell Carlson
President
Head Office

Dear Mr. Carlson:

We had a visit today from A. J. Cotton, Deputy Supervisor of Banking in Olympia and Walter W. Smith of the FDIC.

These gentlemen were investigating the territory in connection with the application for a charter presented by Joshua Green and the Pasco group.

I am passing this information along to you to show that apparently the wheels are still in motion.

Sincerely yours,

John H. Schutt
Manager

JHS:VS

GX I-11-f

INTER OFFICE CORRESPONDENCE

THE NATIONAL BANK OF COMMERCE
OF SEATTLE

FROM Kennedick BRANCH SUBJECT:

MID-COLUMBIA BANK DATE: April 26, 1954

President: W. R. Cox
Vice President: M. C. Deitrick
Cashier: Howard Smith

new 3-1-54

Enclosed is the first published statement for the Mid-Columbia Bank in Pasco.

I discussed this statement with Max Dietrich a few days ago and he assured me that the bank has not realized profits of $47,282.30 since their opening. Their original capital structure was set up as $100,000.00 in capital stock, $50,000.00 in surplus and $60,000.00 in undivided profits. Naturally, until their deposits grow and their loan volume correspondingly increases, their undivided profit account will probably continue to decline. Mr. Dietrich also informed me that their present deposit figures are about $750,000.00, which are real deposits. Until a few days ago, they had a deposit account of a substantial amount, which was made by Mr. Green, to provide them with a surplus of funds to purchase securities to pledge against public funds. This account has now been withdrawn, resulting in the reduced deposit figure above stated.

I will continue to send you copies of published statements of this bank from time to time. I am sure that when their volume justifies it, we will have a correspondent account with them.

I have spoken to Brock Weir about your Certificate of Title and Registration Certificate and he said that he would write to you regarding this matter. You have probably heard from him by now.

Kindest personal regards.

Sincerely yours,

Lyle

L. B. Beavers
Manager

LBB:vs
Enc.

GX J-1

CREDIT MEMORANDA

NAME FIDELITY MUTUAL SAVINGS BANK Spokane, Washington

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
10/28/68 RHM:jk	We were informed through Glenn Garberg, Manager of our Auburn Branch, the bank has received its charter to operate a new branch at Everett, Washington. Glenn mentioned the Auburn manager, Robert Laswell, informed they were hopeful we would have a branch convenient to serve the Everett office. I telephoned Forbes M. Bruce at Spokane, who is Vice President-Manager of Branch Operations to suggest to him we would be pleased if they would consider our correspondent Everett Trust and Savings for their Everett Branch account. He mentioned that he had not heard from the bank soliciting the account and suggested that they write him a letter offering their services. I telephoned Shields Tomlinson, Vice President of Everett Trust & Savings, regarding my contact with Forbes Bruce soliciting the account for them - Tomlinson will write Mr. Bruce promptly. At the same time, I suggested to him we would like to have them designate their Everett Branch to transfer funds to the consolidation account with us here at the Main Office periodically. He appreciated the suggestion and will give it consideration. At the same time he remarked that they were disappointed that NBofC had not as yet deposited any trust fund accounts with them. He mentioned he and Bill Komans, Manager of their Fidelity Lane Office, had visited twice with John Glase in our Trust Department. I reviewed the matter with John Glase and was informed we had no recent new trust money to invest, also that the bill rate is higher than the interest rate in savings deposits. I suggested to John, if possible, we should adjust on an equitable basis funds now on deposit with other mutual savings banks to give Fidelity Mutual some business. He agreed to review the deposit accounts.
7/30/69 FAA:jg	Lyle Beavers of our Kennewick office sent a newsclipping regarding Fidelity's new office at Columbia Center (see Clipping section this file). John Horning, President Columbia Center National Bank has solicited the account while visiting the Vice President, Forbes Bruce, in Spokane last month.

CR. 703 R60

GX J-2

CREDIT MEMORANDA

NAME Columbia Center National Bank

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
6-23-69 (continued) JGH	Tried to See Cal Humphreys of Petoruma again. He was out however he Knew I had called earlier and told his secretary to tell me " I will be glad to bank with Mr. Horning's bank if he will loan me $20,000."
	We know have subscription offer back representing 2156 shares (86%) and 43 shareholders (84%).
6-25-69 JGH	46 subscription offers have been returned for over 90% and totaling 2261 shares or over 90%.
	Visitied with Lyle Beavers. He says Sid Lantor wants 50 more shares. Told him I knew of this and would keep it in mind. He also mentioned that Ron Miller had been in to borrow funds to buy stock and he turned him down because he banks with Seattle First National etc. so Miller may not be able to come up with the $9,000. for 50 shares by next week.
	We discussed the new bank application for a state bank in Pasco. Lyle had heard this rumor. He says we should have a bank there right now-were missing a bet. We should also have one at Basin City and Lowen Bailey (wealthy) would start it for us in a minute. We should also be very aggressive on the Othello area.
6-26-69 JGH	Met with American Janitor Service.
	Finalized Yellow Pages advertising.
	Visited with Loney on new Bank in Pasco
6-27-69 JGH	Worked on Stock Sales again due to some changes on prospect list.
	Set up initial staff meeting at Red Lion Motor Inn for lunch at 12:00 noon on July 1, 1969.
	Set up meeting for 7-1-69 with Lew Bushey, Operations Manager for the new J. C. Penney Co. Store at the Center.
	Received a copy of the completion schedule for Casework, Steel Shelving, Carpet, Draperies, Signs, Furniture, Files, Supplies and Equipment from Claude B. Falk.
7-1-69 JGH	Called Lew Bushey, J. C. Penney Co. Manager and arranged a luncheon meeting for 7-2-69 at 1:00PM in Richland.
	Held meeting of entire beginning staff at noon at Red Lion in Pasco. Tried to cover most basic subjects in connection with opening new bank.
7-1-69 JGH	Gave employees all the necessary papers to complete and we will pick them up on 7-2-69 and begin to compile our reports to Marine Services and WBA.

CR. 703 (10)

GX J-3

CREDIT MEMORANDA

NAME Columbia Center National Bank

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
6-16-69 (continued) JGH	Called North Pacific Bank Note to see if our new stock certificates were ready. They had to order new stock so they will not be ready until next week. I will call on Monday when I am in Seattle. 28 Stock Offers were returned representing 1431 shares. 55% and 57% respectfully.
6-17-69 JGH	Don Kerley called, he want only 25 shares and not 50 as originally requested. Met with Jim Marvin on supplies ad advertising. Called Gary Johnson, Union Oil Co. Retail Sales Supervisor in this area. He thinks their operator at the Center will be Clarence Greber (about 31) from Othello. They plan to be open July 15, 1969. They want to bank with us however this could present a problem on timing. Called on Mrs. Malby (Orange Julius) and solicited her account. They have banked with Seattle First National since 1939 in Pasco even though they live in Richland however they will change and bank with us for convenience. Contacted Arthur Colby - City Manager - City of Kennewick; Bob Chiles - Accountant - PUD and General Telephone about paying station at The Bon Marche for all utilities.
6-18-69 JGH	Attended Clearing House Association luncheon meeting. Attended Reg. "Z" meeting all afternoon in Kennewick.
6-19-69 JGH	Our list of proposed subscribers has been submitted to Washington D. C. for approval. We have 80% of the subscription offers back and signed.
6-20-69 JGH	Completed hiring the initial staff. We will meet on July 1st to go over many things and arrange for their training in either Kennewick or Richland Branches of NB ofC. Worked on proposed stockholders list most of the morning and afternoon. Bill Burke of American Express Travelers Cheques called and will call back the week of ~~xxxx~~ July 21st.
6-23-69 JGH	Met with Ben Lynch on Annuity. Met with Bankamericard on plastics and supplies. Received copy of their time schedule for co-banks. Met with Bob Garing and Lou Kiffert on Reg. "Z" and Advertising in connection with REg "Z". Called North Pacific Bank Note on Certificates, they will be mailed this week.

CR. 700 7600

GX J-4

CREDIT MEMORANDA

NAME Columbia Center National Bank

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
6-9-69 JGH	Called on Patterson's Inc. in Yakima - met Bill Pattersons. He will bank with us. He will have two stores, one called "Pattersons" and one called "Pattersons Too". Picked up offering Circular, return envelopes, cover letters, large envelopes from printers. These are to be mailed 6-10-69 to all prospective stockholders plus the subscription offer form. Bev re-typed the alphbetical stockholders list and supplied the addresses prior to typing tomorrow.
6-10-69 JGH	Met Robert Lyle Brown of Kennewick who wanted 50 shares. I told him I would hold 40 shares and if someone else changed their mind later he could have the other 10. He can control sizeable balances. I had 64 shares left at the time and I thought Wendell Ensey would take 20. I called Ensey in Seattle (The Bon Marche). He was to call me last Thursday on the stock. We wanted us to put him down for 10 shares but he may want 20 by the time we ask for the money. We now have 51 stockholders and 14 shares left. Larry Ledington and I had lunch with Ed Norris of Bank Check Supply.
6-11-69 JGH	Board Meeting Kennewick Country Club 12:00 Noon. Present were Loney, Albaugh, Matheson, Cochran, Felton, Horrobin, McGuire and Horning. Larry Ledington was introduced to the Board. August 1, 1968 minutes were amended. Board voted to amend stock certificates in accordance with Advice from Comptroller of Currency and voted to adopt the amended certificate. Article V was eliminated from the By-Laws in its entirety and the remainging articles renumbered. The Board approved signing Computer and Payroll agreements. The Board approved printing the hand out brochure. The Board approved paying bills totaling $335.56. We discussed advertising in the yellow pages of the telephone directory and give away items at the opening however no action was taken.
6-13-69 JGH	Called on IRS. Called on Veterans Administration. Met with Marine Services - Jane Plesses. Called on WBA concerning Insurance, Group Life and Medical and Retirement. Met with Ben Lynch on annuity.
6-16-69 JGH	Met with Ben Lynch on Annuity and Ray Tabor of Northern Life. Met with Andrew Price - ask him about loan with King County Bldg. Co. for stock. He says no delay is involved. Ask him about resignation and he said none was required. He wants a report from me to the Monday morning Committee meeting at H O sometime in July giving them an up to date report on the progress of the bank and the economic future of the Tri-City area.

CR. 703 Rev

GX J-5

CREDIT MEMORANDA

ass Columbia Center National Bank

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
5-19-69 JGH (continued)	and will be back at 10:00 AM on the 20th so I should be able to see him then. Tried to see Cal Humphreys at Pet-O-Rama again - He is in Japan for two weeks. Delivered signed Bankamericard agreements to John Heinrich together with the $250. check at NBC Bankamericard Dept.
5-20-69 JGH	Prepared report to Andrew Price and Robert Buck. Tried to See Robert Hammer in Tacoma again- not in 0 best time to see him is 10:00 AM - call first however. Met Cal Hendricks, Treas. Pay N Save Corp. who also is the parent corp. for Ernst Hardware and Malmo Nursery. They plan to open Pay N Save in October and the Hardware and Nursery next spring. They will open two accounts with us and probably transfer out once a week to Peoples Bank in Seattle. All Bankamericard drafts will be mailed to Seattle and processed through one bank.
5-21-69 JGH	Called on Center Manager Rippon - met several of his superiors there including Marvin Boys. Visited with Hansel on the phone. He has forwarded my letter on to Washington and thought all looked good to him. He suggested Larry Ledington stop by his office for a get acquainted visit. I called Larry at Forest Grove and he will stop by on the 23rd. Set up appointments by phone in Spokane for the 22nd with Dodson's Jewelers, Fidelity Mutual Savings Bank, Hickory Farms and Safeway Stores.
5-22-69 JGH	Called on the four tennants mentioned above. All were most interested and I see no reason why we will not have all of their accounts. I also called on FHA to see what was required to be authorized to make Title I and II loans.. Met H. E. Howes, Asst. Director who gave me the necessary forms to fill out. When these are sent in to FHA, they will automatically send us some material and they will provide us with a few of each form, then we order forms out of Spokane from then on.
5-23-69 JGH	Met J. C. Pratt, Benton County Assessor. We are holding 20 shares of Stock for Him. We are up to 49 stockholders and only 64 shares left to place.
5/26/69 JGH	Talked to Dick Hunter and Bob Swenson of Marine Services about processing our payroll at CCNB. Called on Wilbur "Bill" Fix of The Bon Marche. He was out so I made an appointment for Tuesday afternoon.

CR. 703 R60

GX J-7

CREDIT MEMORANDA

NAME Columbia Center National Bank

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
4-30-69 JGH	Contacted and promised to hold stock for Pat Sensey (Attorney) - 50 shares, Fred Mikels (Contractor) - 25 shares, Tom Black (PUD Mgr) - 30 shares, Glen Parkhurst (FBI) - 25 shares and Geo. Englesby (Douglas Nuclear) - 20 shares. We now have a total of 43 stockholders and 224 shares remaining to place.
5-1-69 JGH	Completed ordering the majority of the supplies we will need through HO and Advance Advertising. Some are being held pending legal changes due to Truth in Lending Bill - Some are being held until Dick Williams and I can get together. Met Mr. and Mrs. Robert Hurst (tennants) of Kaymax Travel Agency in Richland. They should be opening an account with us at the Center. Horrobin says to hold 10 shares for Richard Boyles (Undersheriff).
5-2-69 JGH	We are holding 10 shares for Morris Smith (former Bon Marche Mgr.) and 50 shares for Peterson-Taylor-Day (Attorneys). I also agreed to hold 50 shares for Otto Geisert (Balcom & Hoe - Farmers). We now have a total of 47 stockholders and 94 shares left to place.
5-2-69 JH	Our offering submitted to Washington again. JH
5-12-69 JGH	HO- Prepared alphabetical list of proposed stockholders. Visited with Andrew Price on project. Asked Ray Gilkerson to call Florsheim in Chicago. Visited with Bill Estep on The Bon Marche and Pay'N'Save Corp. accounts. He suggests I contact Maury Santi on the Bon and Cal Hendricks, Treas. for Pay'N'Save. Mauri will probably suggest who I should call on at The Bon. We know the New Manager will be Wendell Ensey (Seattle) who is a personal friend of Doug Pook of our Aurora Village Branch so perhaps we will go through him. The Payroll-Personnel department is gathering together all of their forms and reports for me so I can be certain I am ready to start our own payroll dept. Called Pollock in Portland (J. C. Penney Co.) again. Hope to see him soon either in Portland or the Tri-City area. Tried again to contact Mr. Humphreys of Petercam - he was not in so I'll try to see him next Tuesday (20th).

CR. 703 Rev

GX J-8

CREDIT MEMORANDA

Columbia Center National Bank

E SOURCE	COMMENTS OR SUNDRY INFORMATION
-22-69 JEH	Visited with Ken Leaf and John Hensel of the Regional Administrators Office in Portland. Our visit was lengthly and casual and we touched on many subjects: Legal Fees during organization at CCNB, qualifications of Cashier, Investments and Service Charges at CCNB, Savings, potential growth and zoning restrictions in the area surrounding the center, the lack of good qualified Unit Bank Officer material and the overall history of new Unit Banks that have started recently. Met J. R. Pollock, District Manager for J. C. Penney Co.; Bruce Levin, Vice President and Controller for Eddie Mays Restaurants and Ray Westrom of Commercial Appliance Service Co. (Coin-operated Laundry). All indicated a willingness to open accounts with CCNB in the center later.
-23-69 JEH	Visited with Andrew Price concerning developments so far. We decided I would ask Bob Buck about stock for Morris Smith before answering his letter of 4-11-69. No mortgage money is available through King County Building Company for buying a home. Carrington resigned from the board mainly due to his age. He is approaching 80 and doesn't get around as much as he used to. Someone could say "well, he knew this at the time he agreed to be an organizer and director ~~XX~~ " however he has failed very rapidly in the past 18months so the picture has changed completely.
-25-69 JEH	Visited with the following prospective stockholders in CCNB.

C. L. (Rob) Robinson	Richland	Battelle	25 shares
Evans & Mack	Kennewick	Veterinarians	30 "
Don Kerley	"	Kerley Chem.	50 "
John Westland	"	Attorney	25 "
Phil Raekes	"	"	25 "
Lyle Beavers	?	Banker	20 "
Ralph Scott	"	Accountant	25 "

We now have a total of 38 stockholders and 374 shares left to place.

-28-69 JEH

Visited at HO with Bob Buck and Andrew Price on the project. Talked to Lew Kifert about opening plans. Solicited the account of The Squire Shop by phone call to Mr. Wade. They will open with us. Tried again to see Mr. Humphreys of Petersen - could never catch up ~~XX~~ to him.

-29-69

Call Mr. Humphreys of Petersen again - not in. Visited with Bob Buck on Morris Smith letter, it was suggested we offer him a token 10 shares however thanking him for his continued interest and explaining our basis of selling stock - It was also suggested we give the new local manager of The Bon Marche a chance at say, 20 shares.

GX J-9

CREDIT MEMORANDA

NAME Columbia Center National Bank

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
4-14-69 JGH	Called on Joseph L. Rutten, Pres. Farrell's Ice Cream Parlour 12897 N. E. 15th Place in Bellevue, Wn. The purpose was to ask for an account for their Columbia Center Shop in Kennewick, Wash. Rutten says they are very close to Seattle First Ntl. requiring leasehold improvement financing at all of their locations. He asked if we were interested in this type of financing. I told him it was too soon to establish lending policy at the new bank. They will have 4400 square feet , requiring $80,000. in leasehold improvements of which the landlord pays half so they will require financing of $40,000. I did not encourage this at this time-thought we could persue this further at a later date if we were interested. They will be needing the loan in about 60 days. Visited with Andrew Price during the afternoon and gave him a memo on Columbia Center National Bank bringing him up to date on the project. Called on The Squire Shop - Mr. Robert Steid was not in - told his secretary I would call him on 4-21-69 at 9:00 AM and arrange an appointment. Called at the Hole 'N One Donut plant at 2210 Pacific N. The President, Steve Day, was not in however a man working in the plant indicated this was a family affair and seemed to know a great deal about the business. He says they have a couple moving from Everett to Kennewick to manage in about 3 months. Told him I would follow this up with a letter. Called on Mutual Fund Brokers Inc. Guy Foes, the President, was out. Visited with David D. Hunt, Vice President. He was pleased that I called and asked me to follow this up with a letter. Called on Hazel's Candies in the Northgate Mall. Mrs. Holen was not in however I met her Daughter and gave her my card. Miss Holen expressed strong loyalties to Seattle First National Bank.
4-16-69 JGH	Asked John Hensel on the phone today when we are to talk to F.D.I.C. and Federal Reserve Bank. He says not until all the stock is sold. Visited with him about Larry Ledington. He suggested he have a few weeks experience at H. O. and in a good, well run Independent Unit Bank somewhere in the area prior to our opening. He also suggested that he go to work for C.C.N.B. about 30 to 60 days prior to opening. Larry has his vacation planned for the last two weeks in June so it would be best for him to train during the latter part of May and/or first part of June and come on to the project about the 1st of July. Called on Manfred Gaedecke (The Flower Basket), Spencer Jilek (Hallmark Cards) and Ford Shields (Shields Book and Stationary Inc.). All indicated willingness to open accounts. Jilek is interested in stock if there is some available. Shields indicated the possibility of transferring their entire account relationship to the new bank.

CR. 703 R66

GX J-10

CREDIT MEMORANDA

NAME Columbia Center National Bank

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
3-25-69 JGH	Met several potential stockholders and customers of C. C. N. B. from all over the Tri-Cities area.
3-26-69 JGH	Offering completed and re-submitted to Washington, D. C. Loney submitted for approval as Interim Chairman of The Board. McGuire submitted as Director and Organizer. Met and visited with more potential stockholders and customers of C. C. N. B.
3-28-69 JGH	Visited with John Hensel, assistant regional administrator, in Portland over the phone from Seattle. He informed us that page four of our offering would have to be revised to show my title as President and Director. He asked more questions concerning the lease with King County Building Co. He commented that the cost of $300,000. for a 7,000 square foot building was quite a bit higher than average. He is concerned that DoShane might wonder why and we should be prepared to answer and support the cost figures. I visited with King County Building Company after the call to Hensel and Mrs. DeVore gave me several reasons. The distance of the bank building from the building supply markets and labor supply markets. The hurry in which the program was required to get started, had they had more time they could probably have shaved some off the total. The quality of the building is much better than average. The design, with the two stories, is more expensive to build. The special items like air conditioning etc. boost the cost up.
4-7-69 JGH	In Seattle during afternoon. Returned call from John Hensel from Portland, and then talked to Kean Loney in Kennewick. Also had a nice long visit with Maxwell Carlson and brought him up to date as much as possible on the project so far.
4-8-69 JGH	Visited with Ben Lynch concerning an annuity to replace the accumulated Pension benefits with NBC. The only problem is that this will have to show as income and will be taxable which could result in a terrific tax loan for me during 1969 either in cash or withholding. Called on Fidelity Financ e, The Singer Co. and Sterling Theatres who will all be tennants in the Center. I have their promises of accounts when they open. I did not have my calling card s to leave with them however I told them I would follow up the personal call with a letter this coming week and enclose my card at that time.
4-9-69 JGH	Board meeting Kennewick attended by Loney, Felton, Cochran, Albaugh & Horning. Decided that we would probably not need a director to replace Albaugh since Horning is a director, we will check this out with the Regional Administrator after the offering is approved. The board voted to hire Larry Ledington at $800 per month and elected him Cashier subject to approval of Washington, D. C. S ervices were discussed and we agreed we would offer all the services of a commercial bank except Trust and we would look into offering our customers the A merican Express "Gold Card". We discussed the progress on the Charter, Sale of Stock and the upcoming WBA Group 6 meeting in Richland on the 24th of April. The Board authorized the signature of John G. Horning on the bank account. The Board voted to buy a membership in the Tri-City Country Club and pay the monthly dues for John G. Horning

CR. 703 R60

GX J-11

CREDIT MEMORANDA

NAME Columbia Center National B ank BRANCH

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
3-12-69 JGH (continued)	We presented the list of proposed firm stock purchases prepared in Seattle and mostly made up of people from outside the Tri-City area, see memo dated 3-4-69. To this we will add xxxxxxxx the balance of the stockholders from the Tri-City area and begin seeking subscriptions and soon as the offering is approved by Washington DC. Each director was given a list of services we intend to offer at the new bank to look over and be prepared to discuss at the April Board meeting. We approved Shields of Pasco as the firm from whom we will buy all our office furniture and fixtures. We established temporary offices in an empty office that Lonoy has available in their Law Practice building. We approved the address that was being reserved for Columbia Center National B ank which is 1000 Columbia Center, Kennewick, Wash.
3-12-69 JGH	Aberafeller and Horning visited the site and met the "super" on the job. They had poured the vault shortly before and they were preparing for the pour of the main floor next week.
3-13-69 JGH	Confirmed address to Rippon, Manager of the center by phone.
3-13-69 JGH	Talked to Cornell in the Regional Administrators office in Portland. He tells us that a man by the name of Morgan in Washington DC is processing our offering this week and that we should have an answer on the 17th or 18th of March.
3-13-69 JGH	Called Gannon at Western Bank Directory and gave them information to include in our listing with them.
3-13-69 JGH	While in Kennewick, we met Larry Leddington of the NBC Kennewick Branch. We informed him as much as possible on the project and what we has planned for him. He seemed very anxious to get started. Told him his salary would go to $800 with the new bank and he would be elected as Cashier and an officer of the bank. Told him these were subject to the approval of the board at the April Meeting. He accepted and will be moving into pperations training at Kennewick right away.
3-13-69	Decided to send Lonay a tentative agenda in the future on Friday prior to each Wednesday Board meeting and call him on Tuesday for any questions.

CR 702 81-69

GX J-12

CREDIT MEMORANDA

Columbia Center National Bank — BRANCH

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION

3-4-69 JEH

Meeting at HO with Price, Buck, Abersfeller and Horning. Discussed the best way of handling transfer or resignation of Horning and naming new Branch Manager at Camas and when this should take place. Buck was called away from the meeting while the rest of us agreed it would be best for Horning to transfer to HO on 4-1-69 at which time the new Manager at Camas would be announced. Then Horning would not resign from NBC until just prior to opening the new bank. This is all to be discussed with and approved by Mr. Carlson.

In anticipation of receiving an approval of our offering from the Comptroller this week we discussed to whom we should sell the 2500 shares of stock at $180. per share. Requests for the stock have been made as follows:

* Albaugh, Frederick W.	Richland	100	$ 18,000.
Boys, Marvin	Seattle	50	9,000.
* Broughton, Charles J.	Dayton	100	18,000.
* Cochran, F. M.	Kennewick	80	14,400.
* Felton, Glenn N.	"	~~78~~ 100	~~14,040.~~ 18,000.
* Hemphill, Wylie M.	Seattle	100	18,000.
Horning, John G.	Kennewick	10	1,800.
* Horrobin, Gerald E.	Pasco	100	18,000.
* Loney, Dean W.	Kennewick	100	18,000.
* Matheson, Willard E.	West Richland	100	18,000.
Malone, John	Pomeroy	84	15,120.
* McGuire, Wilbur H.	Bellevue	84	15,120
Padelford, Philip S.	Seattle	63	11,340.
Philip, Robert E.	Richland	100	18,000.
* Stowell, Ralph J.	Southworth	40	7,200.
Walsh, James A.	Seattle	50	9,000.
		~~1331~~	~~239,760.~~
		1261	227,148.
		~~1262~~	~~227,160.~~
* These men are organizing shareholders.		51.4%	51.4%

1239

There remain ~~1262~~ shares. They will be issued in the Tri-City area. The objective is to have between 40 and 50 shareholders in total. No one not named will be issued more than 50 ($9,000.) shares, with the exception of Glenn Lee who will be issued 100 shares. Shares will be allocated on the basis of the business that potential shareholders can direct to the bank and their ability to purchase for cash. It was also discussed that we should try to hold the minimum number of shares anyone should purchase to 20 shares or $3,600.

3-12-69 JEH

Board Meeting in Kennewick. Those attending were Loney, Cochran, Felton, Albaugh, Matheson, Abersfeller and Horning.

We discussed the possible names for director to replace Dr. Albaugh. They had not come up with anyone definate and agreed to work on this before the next board meeting.

We discussed insurance on Tennants Improvements and Loney will take care of this in the Tri-City area.

(continued)

GX J-13 Price Dep. Ex. 1-39

CREDIT MEMORANDA

NAME COLUMBIA CENTER NATIONAL BANK Kennewick, Washington

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
1/03/69 FAA:jk	With Mrs. DeVere and Mr. Dunham, attended the bid openings at the John Graham offices this afternoon. Seven contractors submitted bids and four were present at the bid opening. Contractors submitting were Chapman; Grant; Hazen and Clark; Huico; Leingang; Moen; and Nelson & Lydig. The firms of Grant; Hazen & Clark; Moen; and Nelson & Lydig were represented at the bid opening. Leingang did not submit his bid according to the bidding conditions set forth at the time of issuance; therefore, his bid was not opened and was eliminated from the competition. Hazen and Clark was the low bidder with $249,096. Bids ranged from $249,000 to $280,500. The original cost estimate submitted by John Graham Company dated November 14, 1968, called for general construction of $210,000 with $22,000 architectual fees. The revised estimate by John Graham Company dated January 20, 1969 called for a general construction at $235,000 including $10,000 for the fascia and $23,500 for architectual fees. An increase of $26,500. The preliminary budget estimate dated November 14, 1968 also contains other expenses including bank specialties; equipment; furniture and fixtures, including vault equipment, making a grand total of $319,500 plus Washington state sales tax. The revised estimates dated January 20, 1969 on bank specialties, equipment, furniture and fixtures including the vault, totals $361,546 plus Washington state sales tax. This increase of some $42,000 was created by an increase in the estimates by John Graham Company, the $10,000 cost for the fascia which was not included previously together with the revision of the architectual fees from $20,000 to $25,800, an increase of $5,800.
1/24/69 FAA:jk	In discussing the large variance of the low bid and the architect's estimate with Mr. DeVere and Mr. Dunham, it was decided that Mrs. DeVere would pursue the notion we had that the contractors had included several thousand dollars for winter construction. After her discussion with the John Graham Company and the contractors on this point, Mrs. DeVere is to make up a written report of her findings. The Building and Planning Department also is revising the bank specialty costs as well as equipment, furniture and fixture designations, revising downwardly and hopefully can shave several thousand dollars in areas of bank specialties, equipment and furniture.

(Continued)

CR. 703 R40

GX J-14 Price Dep. Ex. 1-40
CREDIT MEMORANDA

NAME COLUMBIA CENTER NATIONAL BANK Kennewick, Washington

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
1/24/69 FAA: jk	(Continued) It is our feeling that the bidding was in order and that there are several reasons surrounding the increase of bid compared to the cost estimate. First, the architect's fees were increased a sizeable sum because of additional details that the architects completed after the original estimate. Secondly, the architects apparently "missed the boat" in calculating their estimates in the beginning. To be sure, their second estimate, the revised addition, is much closer to the low bid than their first estimate. As mentioned above, the revised estimate of the John Graham Company now stands at $235,000 and the low bid by Hazen & Clark at a grand total of $247,846.

CR. 70A 1160

GX J-15 Abersfeller Dep. Ex. 2

CREDIT MEMORANDA Price Dep. Ex. 1-38

NAME COLUMBIA CENTER NATIONAL BANK Kennewick

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
1-7-69 RFB:ws	After discussion of the revised estimated statement of condition with Mr. Faragher and Mr. Price this morning, I talked to Mr. Abersfeller and Mr. Loney in Portland by telephone as they are meeting withe Regional Comptroller later this morning. After this discussion it was agreed that they would suggest to Mr. Leaf that an additional $50 000 in capital be raised in order to keep the proportions generally close to those of the original projections upon which approval of the application was based. It would appear desirable to increase capital by this modest amount at the inception rather than to do it later if there is any question that capital will be inadequate in the 2nd, 3rd and 4th years.
1/7/69 FAA:jk	With Chairman of the Board, Dean Loney, called on Kenneth Leaf, Regional Administrator of National Banks in Portland. The meeting with Mr. Leaf was in regard to the proposed budget change of Columbia Center National Bank. Under the original application, the budget for the bank was submitted based upon $180,000 bank building with approximately $42,000 for equipment. The revision of the plans and of the equipment brought about a change in the budget. The current expenditures for the building totals $230,000 and approximately $47,000 for the equipment. We wanted to learn from Mr. Leaf the circumstances surrounding these changes, namely whether or not notification would be necessary to the comptroller's office in Washington and secondly, expression for Mr. Leaf concerning the advisability of a change of the capital structure. Mr. Leaf said that we should avoid under all circumstances the recapitalization method because of the time involved and further, an approval would be forthcoming from the comptroller only from the regular formal channels. It was decided at that point to break the discussion and Mr. Loney and I discussed the situation later on and determined that Mr. Leaf was trying to tell us to take some other route which would not involve the controller.
1/9/69 FAA:jk	Today I discussed the meeting with Mr. Leaf with Andrew Price, Jr. and R. F. Buck. It was determined that King County Building Company would accept lease payment on the building as originally scheduled, that is, based upon a cost of $180,000 rather than $230,000. Further, that King County Building would purchase the equipment for Columbia Center National Bank and lease back to the bank on very favorable terms.

CH. 703 M60

GX J-16 Price Dep. Ex. 1-37

CREDIT MEMORANDA

ME COLUMBIA CENTER NATIONAL BANK

ATE SOURCE	COMMENTS OR SUNDRY INFORMATION
12-5-68 P:VS	Excerpt from the King County Building Co. minutes of the company's special meeting dated October 15, 1968:

COLUMBIA CENTER AGREEMENT OF LEASE

RESOLVED, that King County Building Co. enter into that certain lease dated September 11, 1968 by and between Realbon Corporation, a Washington corporation, as landlord, and King County Building Co., a Washington corporation, as tenant, calling for the lease for thirty (30) years of premises in Columbia Center, Kennewick, Washington, and the construction of a bank building on those premises.

* * * * *

SUBLEASE TO COLUMBIA CENTER NATIONAL BANK

RESOLVED, that King County Building Co. enter into that certain sublease dated September 11, 1968 by and between King County Building Co., a Washington corporation, as lessor, and Columbia Center National Bank, a national banking association, as lessee, calling for the lease of a parcel of land and a completed bank building in the Columbia Center, Kennewick, Washington, for a period of five years, with a renewal option.

King County Building Co's. lease from Realbon Corporation at Columbia Center calls for payments over a period of 31 years as land rental payments as follows:

3 years @	$ 7,200	=	$ 21,600	+ taxes, etc.
7 years @	9,965	=	69,755	+ taxes, etc.
5 years @	11,241	=	56,205	+ taxes, etc.
6 years @	12,927	=	77,562	+ taxes, etc.
10 years @	15,000	=	150,000	+ taxes, etc.
31 years			$ 375,122	+ taxes, etc.

GX J-17 Stowell Dep. Ex. 3

CREDIT MEMORANDA

Price Dep. Ex. 1-35

NAME COLUMBIA CENTER NATIONAL BANK

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
10/11/68 FAA:jk	On October 7 Gene Rinaldi was here to visit with us regarding the Presidency position for the bank. Messrs. Price, Stowell, McGuire, Macdonald, and Abersfeller hosted a luncheon in the Directors Dining Room where we discussed Mr. Rinaldi's banking experience in California and the related growth and potential of the Tri Cities area. On Tuesday, October 8, Messrs. McGuire and Abersfeller attended the monthly Directors meeting of the bank and introduced Mr. Rinaldi to the group. During the board meeting, the members agreed to hire Rinaldi and delegated the responsibility to negotiate with Rinaldi to the committee originally chosen to hire management. The Committee members are W. H. McGuire, Dean Loney and Advisor R.J. Stowell. After the meeting and lunch, Director Jerry Horrobin toured the Tri Cities area for Rinaldi's benefit. Mr. Rinaldi was favorably impressed with the area and commented on the fact that he could see the potential growth of the area. Mr. Rinaldi boarded a plane about 9:30 Tuesday night for San Francisco and before he left, he told us he would call Friday with his decision.
10/11/68 FAA:jk	This morning received a call from Gene Rinaldi and he said he would be pleased to accept the responsibility of Chief Executive Officer. Since a thorough discussion of his salary was not made and/or stock options clarified, he needs to know what the proposals will be. The bank's offering to Rinaldi should also include an outline of policy regarding expenses incurred prior to Rinaldi's family moving to the Kennewick area and a definite understanding regarding moving expenses. I told Gene I thought the salary range would be in the $15,000 area and a stock option on a two or three year period would be in the neighborhood of 50 to 100 shares. I told him that the bank would pay moving expenses but did not comment about living expenses while he was away from home. Gene also will need to know the date he should arrive and an understanding about his being in Seattle on a training mission at NBofC prior to his moving to Kennewick. I made no commitment of any kind to Mr. Rinaldi regarding salary and living expenses or other expenses in connection with this move other than confirming that the bank would pay moving costs from California.

FN 30-1 bcb

GX J-18

PRICE DEP. EX. 1-36

CREDIT MEMORANDA

NAME West Coast Credit Corporation

Date Source	Comments or Sundry Information
10/10/68 WCE/vc	West Coast Credit has an application for an office in the Columbia Shopping Center between Richland and Kennewick. At the recent luncheon, which CRG arranged with Messrs. Ray Cowen, Pres.; and John Cowen, Sec.-Treas., I made sure that they knew of the Columbia Center National Bank which is going to be in the shopping center and solicited the relationship from their office for that bank. cc: RMM

GX J-19 Price Dep. Ex. 1-34

CREDIT MEMORANDA

NAME COLUMBIA CENTER NATIONAL BANK

DATE SOURCE	COMMENTS ON SUNDRY INFORMATION
9-11-68 PAA:vs	A board meeting was held by directors of this bank at the NBofC today. Luncheon at 12:15 p.m. Present were: Messrs. Loney, Cockrane, McGuire Albaugh and Horobin. Also present was Frank Abersfeller, AVP of NBofC. The board received resumes of the following applicants: Mr. Rinaldi and Mr. Lamblin. It was decided that we should contact Mr. Rinaldi to discuss with him definite responsibilities and salary structure. Mr. Buck will be in Chicago attending the ABA convention late this month and it was the Board's opinion that Mr. Buck should interview Mr. Lamblin in Chicago at that time. If an expression of interest is made by Mr. Rinaldi, a time and place can be chosen for an interview. The Board also discussed the prospective list of shareholders and tentative share allocations were made. Mr. Loney and other directors will get together to finalize these allocations shortly.

GX J-20 Price Dep. Ex. 1-33

CREDIT MEMORANDA

NAME COLUMBIA CENTER NATIONAL BANK

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
8-5-68 RFB:ws	This afternoon I talked with Mr. Boys of Allied Stores with respect to the possibility that limitations on the fixed asset obligations could make it difficult for the new bank to lease space and build a building under the arrangements he had been working out with Mr. Dunham. He seemed to understand the problem, and agreed that the possibility exists of Realbon financing and building a building under some arrangement where King County building Co., or another responsible party, would lease it and then sublease to the bank on a shorter term. I told him we would be having a meeting the first of next week to make a definite determination of the way we had to go.
8-2-68 FAA:ws	Ordered corporate seal for the bank today from Puget Sound Stamp Co. Ordered 100 stock certificates to be delivered 8-12-68 (Jim Waite).
8-6-68 RFB:ws	Dean Loney told me by telephone yesterday (8-5-68) that he had discussed the building requirements of the Columbia Center National Bank with Mr. Burns Hoffman, Chairman of the Board of Hufco, Inc., the corporation for which Mr. Mickey Cochrane (one of the incorporators of the bank) is Tri-Cities Area Manager, and was told the company was interested in building the building according to the bank's specifications upon agreement of the bank to lease it for five years at a rental of 10% of actual cost per year out of which would be paid real estate taxes, insurance and structural maintenance and repairs, with an option for purchase at actual cost at the end of the five-year term. This morning I told Mr. Loney of my conversation yesterday with Mr. Boys (see memo 8-5-68) about the possibility of having the building built and owned by Realbon and that we would have a meeting the first of the week to decide which of these directions to go.
8-8-68 RFB:ws	Mr. Boys telephoned today to tell me that he had talked to New York and that "if necessary" he has permission to go to around $200,000. on building a building for us, but that he and his superiors would prefer to have us build it, although they can finance it if that is a problem. I thanked him and told him we would be in touch the first of the week.
8-15-68 AP:ws	Today I talked with Glenn Carrington about the progress being made on the placement of the stock in this bank. I said that it looked as though sufficient stock was in the hands of friends of KBofC to assure that the bank would eventually become part of KBofC. He said that under those circumstances he would be happy to let his stock go to someone else. I indicated that I appreciated his interest in the development of this bank in Kennewick and said that I thought the stock would be well placed in other hands.

Cx. Dep. Exhs.

GX J-21 Price Dep. Ex. 1-32

CREDIT MEMORANDA

NAME COLUMBIA CENTER NATIONAL BANK

DATE SOURCE	COMMENTS ON SUNDRY INFORMATION
5-24-68 RFB:ws	In my conversation Wednesday (5-22-68) with Mr. Boys, he indicated he had heard rumors that the office of Congresswoman May had been assisting the Kennewick National Bank in its application for a branch at Columbia Center although he had no proof. After talking to Mr. Loney, I telephoned Mrs. May, who is a personal friend of mine, and without disclosing this information asked her if she was in a position to ascertain from the Comptroller's Office the present status of our application. I briefly gave her some of the background, including the rumor that Mr. Volpentest had asked the Senators' offices to assist on behalf of Kennewick National. Today Mrs. May telephoned to report that she had talked by telephone with Mr. deShazo and made it clear to him that her inquiry was on behalf of "Mr. Loney's group" and that this was the group that had the only invitation from the developer. Mr. deShazo gave her no information except that he had had applications from three different groups and that a decision would be made soon, which he then explained meant "within a week." He also mentioned favorably his visit with Mr. Price a week or so ago. It would appear that Mrs. May had not previously been involved on behalf of anyone else as she stated in so many words she had not and then later stressed that in her conversation with the Comptroller she had expressed surprise that there were applicants other than Mr. Loney's group.
	- - - - -
6-5-68 Dean W. Loney 3:45 p.m.	Mr. Dean W. Loney called to report to Mr. Buck that he had just received the following wire: 6-5-68 Preliminary approval granted to organize a national bank in Kennewick, Washington under the title Columbia Center National Bank. Letter follows: signed Thomas DeShazo

C.M. 783 1000

GX J-22 Price Dep. Ex. 1-31

CREDIT MEMORANDA

NAME COLUMBIA CENTER NATIONAL BANK

DATE SOURCE	COMMENTS ON SUNDRY INFORMATION
6-24-68 Dean W. Loney/ws	This morning Mrs. Stedman called Mr. Loney at Mr. Buck's request to determine whether or not he had heard from the Comptroller's Office and whether the directors and officers should go to Kennewick to hold the organization meeting. Mr. Loney had not yet received the approval for the Articles of Incorporation. He, therefore, called Mr. DeShazo in Washington and learned that one document had "Benton County" instead of "Kennewick"; therefore new papers and signatures would have to be obtained. The meeting cannot be held until those documents are approved. Mr. DeSharo will send him a letter of instructions, and after the corrected articles are approved, the organizational meeting should be held immediately. When Mr. Loney receives the letter of instructions from Mr. DeShazo, he will send a copy to Mr. Buck, who should get the new signatures. Mr. Loney will, of course, get the forms for making the changes in the documents and start getting the signatures locally. Another item which needs some attention by the directors is how to go about the selling of the stock of the company; who is to handle the sale; to whom and with what limitations if any; how is it to be handled; and in the interim between now and the time sales can actually be made, what to tell inquirers and potential subscribers. Mrs. Stedman notified the following men of the above details and conversations: Messrs. Stowell, Carrington, Hemphill and Buck. She was unable to reach Mr. McGuire.
7-1-68 RFB:vs	This morning I talked to Mr. Loney by telephone and learned that he had obtained some of the signatures on the amended agreement of association, hoped to obtain the rest of those over there today and to send the papers on to us by tomorrow. He assumes we will have a reasonable time to get these papers back to Mr. deShazo in view of our conversations with him with respect to amending these articles. The first meeting of the incorporators for the election of the temporary directors will be rescheduled as soon as Mr. deShazo has notified us of the acceptability of the amended documents. Meanwhile, Mr. Loney is going to confer with Mr. Beavers and with Mr. Rightmire with respect to some sort of priority listing of potential stockholders in the Tri-City area, who would be advantageous to the new bank in distinction to simply being good customers of NBofC at the present time. Of course, there could be some who would be both. I also discussed this subject with both Mr. Beavers and Mr. Rightmire by telephone. Mr. Loney is also going to make some discrete inquiries to stimulate interest in organizing a bank. We have to make the best effort in this direction. I also told him that I would be in touch with the developers on the matter of the location and construction of the proposed building.

5/29/67 ~~first~~ first application. (1)
GX J-23
Price Dep. Ex. 1-3
Declined 9/6/67 by Mr. de Hegy.

"Facts in support of a new National Bank in the area are not favorable"

Right away we started again.

9/21/67 - Letter & written from developers. PP 3 is very specific about Columbia Center NB and why we look in area.

10/9/67 would hold space 90 to 120 days from 9-22-67, or until 12/22/67 or 1/20/68

10/25/67 Lowey responded to Bern with Number & on same day Lowey wrote to Mr. Leaf.

Nov 11/1/67 We received notice (2)
Application for Branch by Columbia Center National Bank
12/20/67
on 12/7/67 ~~CC~~ reapplied - Reapplication acknowledged on 1/19/68

1/3/68 amended application in which developer had expressed some feeling of urgency - Sent copy of economic analysis of Eastern Fields.

1/24/68 Boys on behalf of Realtor ~~extend~~ extended invitation to ~~extend~~ 2/22/68

1/29/68 Branch application advised by Comptroller.

1/31/68 Leaf advised Lowey decision would not be reached by 2/12/68

1399

GX J-24

Price Dep. Ex. 1-29

Letter 3/6/68 enclosing invoice 4/22/68 from Bayo

(3)

3/20/68 Information on Ranton, Aurora Village + Northgate Mobile provided by Lowry to Mr. Davis - examined + applicable

GX J-25 Price Dep. Ex. 1-28

CREDIT MEMORANDA

NAME COLUMBIA CENTER NATIONAL BANK

DATE SCRIBLE	COMMENTS OR SUNDRY INFORMATION
5-9-68 AP:ws	Today I stopped at the Comptroller's Office in Washington, D. C. and visited with Mr. William Camp, Comptroller, Mr. Justin Watson, Deputy Comptroller, and with Mr. deShazo, Deputy Comptroller. The principal purpose of my visit was to inquire about the progress being made on the Columbia Center National Bank application. As a result of the visit I feel that Mr. Loney should hear favorably in the next 2 or 3 weeks about the Columbia Center National Bank application. The balance of our conversation covered a good many areas including Tony Chase's decision to run for Congress from Tacoma, the new State Supervisor of Banks, Frank Cooper, the high regard we hold for Bert Price and Kenneth Leaf. As I left, Mr. Camp, in Mr. deShazo's presence, said, "If every bank were run like the National Bank of Commerce, we wouldn't need examiners." - - - - -
5-13-68 AP:ws	Today I talked to Mr. Leaf by telephone in Portland. I spoke about the wire that Mr. Boys had sent to Mr. DeShazo and about the letter which Mr. TFF had sent to Mr. DeShazo, a copy of which had been sent to Mr. Leaf. The purpose of calling Mr. Leaf was to report on my visit in Washington and to tell him that I intended to call Mr. DeShazo to see that the letter of 9-22-67 and the wire from Mr. Boys had reached him. - - - - -
5-14-68 AP:ws	Today I called Mr. Thomas G. DeShazo in Washington, D. C. who said he had received both the letter of 9-22-67 and the wire from Mr. Boys. He said he had two observations: One was that the expiration date mentioned in the wire, 5-24-68, for which the Columbia Center National Bank has the exclusive invitation, seemed unnecessarily short, and Two, because of the last sentence of the 9-22-67 letter there did not seem to be any such expiration date in mind. I answered by saying that the Center was now under construction and that the developers intended to open the completed Center in about 13 months. It was, therefore, important to them that a decision be reached if a bank is to be included in the Center. I said I was sorry that such an expiration date had been mentioned in the wire but that we had had nothing to do with this. Mr. DeShazo said that as soon as a decision is reached Mr. Loney will be advised by wire. He was noncommittal about whether this would be the Columbia Center National Bank.

GX J-26 Price Dep. Ex. 1-27

CREDIT MEMORANDA

COLUMBIA CENTER NATIONAL BANK

DATE SERVICE	COMMENTS OR SUNDRY INFORMATION
3-20-68 RFB:ws	Mr. Leonard Davis, a national bank examiner from the Kennewick Office, was in the bank today by previous appointment. He had been requested to interview Messrs. Carrington, McGuire and Stowell in connection with their sponsorship of this bank application. Apparently Mr. Leaf's instructions were not specific in detail. He asked general background questions.
	- - - - -
4-3-68 RFB:ws	Mr. John Hensel, Deputy to the Regional Comptroller, telephoned today requesting information on the breakdown of the $50,000 fixed asset figure shown on the balance sheet of the proposed bank. After consultation with Mr. Lynch and Mr. Erickson, I telephoned Mr. Hensel and told him that we had estimated leasehold improvements and bank specialties would come to approximately $40,000 and that the balance of $10,000 would cover furniture and equipment as we had projected the $5.00 per foot rental figure on the assumption the building would be ready for bank occupancy without substantial additional leasehold improvements.
	Mr. Hensel stated that their report was almost ready to go; that they hoped to get it in the mail on Thursday, the 4th, with a request to the Comptroller's Office to act on it before April 22, the expiration date of our letter from Allied Stores. He said he thought they should be able to do this.
4-9-68 RFB:ip	Today John Hensel called from Portland. He said on Thursday, April 4, Mr. Leaf had signed and sent to Washington a strong endorsement of the application of Mr. Loney and his associates to establish a bank in Columbia Center. Mr. Hensel said these records had gone to Mr. Thomas deSchazo (sp?) in the Comptroller's Office in Washington, D.C. and that reference had been made to our request for an answer by April 22. If we have not heard by April 20, Mr. Hensel suggested that we call him in Portland.
	- - - - -
5-6-68 RFB:ws	This afternoon I called Mr. Leaf in Portland and found that there was no new information available on the establishment of this bank. He knows of nothing that is holding the decision up and I conveyed this to Mr. Boys. Mr. Boys said, "we have been patient so far and we will continue to be."
5-9-68 RFB:ws	After talking with TRF and his dictating a letter enclosing the copy of the original invitation for this bank to establish in the Columbia Center to Mr. deShazo, RFB talked with Mr. Boys who agreed to send a wire to him indicating an extension to 5-24-68 to Mr. Loney's group.
	Mr. McGuire called to inform us that he is leaving 5-12-68 for a two-month trip to London and Europe. He will arrive in London on 6-1-68 and can be reached through our London office until 6-8-68. Mrs. Stedman called him later to bring him up-to-date on the Issue situation.

EXCEPTIONS:

1. Cosmopolis application
Appr 2-28-66 for Sav/Ln
w/ Dlay in Term
Don't make claim - but reasonable we will provide a mortgage extn. to them.

2. MANAGER of the COLUMBIA CENTER
1. Would an NB & C Br. Mgr. prejudice our case?
2. Boys leaving, planning problems - 60-90 days for Thanksgiving
3. Need to open 90 days before for Center
4. 4th group stock sale

3. Bank Market Research Vaz - verbal to need another extension in writing

4. Lake Union - expect invitation from bldg owners

5. Broadway - in mail

6. Kent E Hill

7. Kent Mall

Show specific info on deposit growth at Northgate + Aurora Valley for what source did dep. come - i.e. local or not, is firms + local businesses

Loan Pool -- Get a ruling
?# 1 - Are they borrowing from us?
2 - Do any of such commitment a contingent liability?
3 - If this is lent to or a loan participation between banks, can it apply a rate of deposit interest at such banks?

Bank of Prowers may have found a spot not in center but not in Commercial

EXH J-27 Price Dep. Ex. 1-26

Things to Cover:

a - # of housing developments - size, occupancy - Plot Plan or Vicinity map - Age of buildings - Traffic flow

b - # of industrial firms - employment, stability - where they live

c - Shopping centers - Volume - What firms

d - Show all branches in Seattle area not too restrictive.

e - Diversification of banking services in the area + what we can supply. Dollar growth, as well as percentage growth - # of accounts

GX J-28 Price Dep. Ex. 1-25

CREDIT MEMORANDA

NAME COLUMBIA CENTER

DATE SOURCE COMMENTS OR SUNDRY INFORMATION

3-5-68

DSR:elr

At Mr. Buck's request I reviewed shopping center branches with John Cockburn and Irvin F. Knutson, managers of Northgate and Renton branches, respectively. This was done to develop data useful to Dean Lowney, who is attempting to organize a new national bank in Columbia Center near Kennewick.

Mr. Cockburn's experience, both at Northgate and at Aurora Village, is that area residents generate a good share of initial deposits. However, he added, at Northgate businesses in the shopping center have become the major deposit source.

Most national firms located in these shopping centers use either interbranch deposits or transfer accounts. Many of these firms keep balances far smaller than might be expected for the service they demand. Many are "service charge" accounts. At Aurora Village for instance, Penney's keeps average balances of approximately $20,000, although they are one of the largest volume depositors and "payroll" customers in the area [illegible] might well be higher.

John added that center businesses require very little in the way of commercial credit at either location. Most arrange their financing before moving into the centers.

0-0-0-0-0

Bud Knutson, commenting on Renton Branch, noted that Sears, the principal tenant of Renton Shopping Center, is also his branch's largest depositor. While most of their account balances are transferred to Seattle-First weekly, the average balance at Renton Branch, NBofC is about $400,000. The manager says, "It's an earning account to the bank."

Renton has about 95 percent of the businesses in the center as customers. Except for large national firms NBofC is the "bank of account." Only one large depositor, does not use NBofC facilities in any way. They have all deposits transported by Loomis Armored Car to Seattle Trust & Savings.

Bud noted most individual accounts come from steady customers of the center. A great many are persons employed at the nearby Boeing plant, who do their shopping and banking on lunch hours. Renton's customer address list show their residences to be in almost every part of the Greater Seattle - Puget Sound region.

He added that the loan experience at Renton is similar to that described for Aurora Village and Northgate. Few businesses in the center are commercial borrowers.

GX J-29

CREDIT MEMORANDA

NAME COLUMBIA CENTER NATIONAL BANK

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
2-12-68 AP:ws	Today I talked to RFB about the above conversation as well as about the conversation on Saturday with MC TRF RJS and RAM. In that conversation the feeling was expressed that Mr. Buck should visit Mr. Leaf in Portland for two reasons: (1) To tell Mr. Leaf about Mr. Buck's visit with Justin Watson in Washington, D. C. (2) To inquire whether or not the fact that no manager has yet been named for the proposed Columbia Center National Bank was a key matter in Mr. Leaf's delaying his decision. If it is, Mr. Buck should ask Mr. Leaf if our making a qualified officer of the NBofC available would help or hinder the application. - - - - -
2-21-68 AP:ws	Today Lyle Beavers called to say that a good customer of his had just come into the bank and told him that Mr. Babcock had agreed to sell him 500 shares of stock of the bank which Mr. Babcock is attempting to organize at a price of $35.00 per share. It is our understanding that this is not according to the provisions of the Comptroller of the Currency and I so advised Mr. Beavers.

CH. 7103 1-66

GX J-30 Price Dep. Ex. 1-24

CREDIT MEMORANDA

NAME COLUMBIA CENTER NATIONAL BANK

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
2-5-68 RJS:vs	Mr. Boys of the RealEon Corp. called this morning for AP jr and I answered the call in his absence. Mr. Boys said that the group represented by Mr. Babcock wanted a location in the Center and that he felt he had to talk with them Thursday morning when they were coming in. He said it was necessary that they firm up a bank as a tenant as soon as possible so they could go ahead with financing arrangements. I told him we were moving as fast as possible but I did not think that we would have an answer by 2-22-68; however, I told him that we would be in constant touch with him to keep him appraised of the situation as it develops. He said that he would not give encouragement to anyone else wanting a location in the Center. - - - - -
2-8-68 AP:vs	Today I returned the call to Marvin Boys (MU 2-1604). He said that yesterday a Mr. Babcock representing the incorporators of a proposed new national bank in the vicinity of the Columbia Center had been in to see him. He brought with him a letter from Mr. Leaf indicating that Mr. Leaf's office had accepted an application on 1-29-68 to organize the new bank. The letter from Mr. Leaf said that Mr. Babcock would need to publish in the local newspaper in Kennewick within 15 days a notice of intention to organize the bank and that the application would be considered abandoned in thirty days unless they had also received a notice that an examiner could now review the application. Mr. Boys was told by Mr. Babcock that NBofW was supporting the application and that he, Mr. Babcock, would like an invitation to put the bank in the Center. Mr. Boys said that he told him he had a commitment to the NBofW to 3-22-68 (actually his letter to us indicated 2-22-68, but he volunteered to extend it another 30 days) and he said under these circumstances, he could not extend another invitation. Privately Mr. Boys told me that he did not wish to deal with NBofW again as there had been some difficulty in working out the Tacoma Mall lease. Among others associated with Mr. Babcock will be the general contractors doing the work for All-Stores Realty at Kennewick. I told Mr. Boys that we appreciated his confidence in us, but then had to tell him that because Mr. Babcock as well as the Kennewick National Bank had modified the terms, it now might be 60 to 90 days, according to Mr. Leaf, before a decision could be made regarding which bank would serve the shopping center. From Mr. Boy's conversation I sensed some politics might be involved. Several times Mr. Boys said that if we had difficulty working with Mr. Lacey we might wish to consider working with Mr. Babcock. I think Mr. Boys really does want to see NBofW in the Center one way or another.

CM-638 REV.

GX J-31 Buck Dep. Ex. 4

CREDIT MEMORANDA

NAME COLUMBIA CENTER NATIONAL BANK Kennewick, Washington

DATE BALANCE	COMMENTS OR SUNDRY INFORMATION
12-21-67 RFB:ws Cont.	After Mr. Fields left, Mr. Loney and I talked to Mr. Leaf in Portland and he made clear to us that it would be desirable to have Messrs. Stowell, Funk, Broughton, Hemphill and Carrington appear as part of the organizing group and not merely as prospective stockholders. He also indicated that it would be helpful to have some explanation of the supporting role of NBofC. Mr. Loney left with us forms for submission of the biographical and financial information by the new organizers mentioned above. He will obtain the signatures for his Richland group and we are to obtain signatures on the resubmitted application of the new organizers.
12-21-67 RFB:ws	Mr. Leaf telephoned us today and said that because of the good relationship between his office and the National Bank of Commerce he was taking the liberty to advise us that the Bank of Prosser had filed an application for a branch in the Columbia Center and he urged us to expedite our re-application as much as possible. - - - - -
12-22-67 APJr:ws	Today I spoke to Mr. McGuire who expressed a willingness to buy $15,000 worth of stock in the Columbia Center National Bank. He will also be willing to stand for election as a director. Mr. McGuire replaces Mr. Funk both as to being a stockholder and as being a director. Mr. Funk, after thinking about our invitation at some length, decided he did not wish to be included in the new bank. Today I gave the biographical and financial report forms to Mr. McGuire and Mr. Stowell. They will have them completed by next Thursday. Yesterday I mailed similar report forms to Mr. Hemphill and Mr. Broughton. Mr. Hemphill has received his and is working on it. Mr. Carrington is out of the city so his forms cannot be delivered for completion until later. - - - - -
1-31-68 RJS:ws	Today I visited by telephone with Bob Buck and Andrew Price, Jr. (they were in the east) in connection with Dick Anderson's acceptance of a position with the Matanuska Valley Bank. I also talked on the telephone with Mr. Loney in Kennewick. A copy of Mr. Anderson's letter to Mr. Loney was sent to us. It is Mr. Loney's opinion that a new president for the proposed bank should be selected as soon as possible. Following the discussions mentioned above with APJr. and RFB, I asked Mr. Loney to call Ken Leaf and tell him how Mr. Anderson's decision to go to the Matanuska Valley Bank and not to the Columbia Center National Bank had been reached and that it was entirely unexpected by us, but that we would like to go ahead with the remainder of the application. We could assure him that we would have a suitable president selected prior to the Comptroller's final action on the application.

GX J-32 Buck Dep. Ex. 4

CREDIT MEMORANDA

NAME COLUMBIA CENTER NATIONAL BANK Kennewick, Washington

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
11-20-67 AP:ms	Mr. McCord concurred with Mr. Moen and expressed the feeling that it was all right for directors of the NBofC and/or Marine Bancorporation to own stock in their own name as long as they did not borrow to finance the purchase of the stock. We spoke of 4 or 5 individuals owning up to a total of 20% of the bank's stock.
12-4-67 AP:ms	Mr. Lyle Beavers called today to say that he had just finished visiting with Mr. Davis, a representative of the Comptroller of the Currency in the Tri-City area. He said he felt Mr. Davis would not look with favor on the application of the Kennewick National Bank over the application to form the Columbia Center National Bank. He understands that sponsorship in both cases is strong but that a bank in the Center should do better than a branch adjacent to the Center. I asked Mr. Beavers if he knew of Mr. E. L. Babcock. He said there was a Mr. Lou Babcock who formed and for a time was at the First National Bank of Kennewick which subsequently became the Seattle-First National Bank branch in Kennewick. He thought Mr. Babcock was now living in the Seattle area. I had heard that Mr. Babcock might be gathering a new group together to form a new bank.
12-8-67 AP:ms	Bertrand B. Field Director-Business Research and Area Diversification Douglas United Nuclear, Inc., Richland, Washington Tel. 509-942-1111, Ext. 6-4246 Home: 2316 Enterprise Drive Richland, Washington 99352
12-21-67 MT:ms	Mr. Dean Loney and Mr. Bert Field visited us in the bank yesterday, and I joined them for lunch at the Bon Marche with Mr. Marvin Boys. Mr. Boys indicated he had been approached by "several" banks, or groups of individuals, seeking a charter. He furnished us with a blueprint of the proposed center showing the location selected for a freestanding bank building. He indicated he thought it was imperative the bank should be opened not less than 90 days before the opening of the Center itself. Mr. Field submitted a rough draft of his economic analysis for typing and review. Mr. Boys indicated that some of the released figures on employment at the Center were substantially lower than expected employment totals. He also confirmed that no other leases have been signed, but explained that from the number of inquiries he had received he was confident that they would finishing leasing the entire Center within 5 to 6 months. The Pay & Save group has agreed in principal, and final details are being worked out by attorneys.

CR 703 5/69

GX J-33 Price Dep. Ex. 1-23

CREDIT MEMORANDA

NAME COLUMBIA CENTER NATIONAL BANK Kennewick, Washington

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
11-14-67 AP:ws	Today I talked to Mr. Loney to see whether he had heard anything further from Mr. Leaf about the above matter or anything from him at all about the proposed branch of the Kennewick National Bank in the same general area that Mr. Loney is considering. Mr. Loney said that he had not, and further, he indicated that he had reviewed the situation with the organizers of the proposed bank and they were still desirous of going ahead with the application since they had decided to establish the bank within the Shopping Center while the Kennewick National Bank was proposing to establish its branch outside of the Center. Mr. Loney said further that an officer of Douglas-United Nuclear Corp. had expressed a willingness to prepare a study to submit with the application at a cost of about $1,000. As I recall this man felt it would take about 40 hours to prepare this report and he could go to work on it at once. I suggested that he begin at once on the report. Mr. Loney understands that the organizers of the bank would have to absorb the cost of the study. - - - - -
11-16-67 AP:ws	Today I telephoned Mr. Leaf in Portland to ask him whether the idea I discussed with Mr. Moen in the memorandum of 11-10-67 would satisfy him as to the strength of the proposed bank. He said that it would. He said that the names of the men and some information regarding their stature should be submitted in answer to paragraph 7 of the application. He said it would not be necessary for them to submit detailed financial information at this time, but that the Comptroller might ask for such information at a later date. Mr. Leaf said that this information could be sent directly from the proposed stockholders to the Comptroller's Office to preserve their privacy. Mr. Leaf made no comments about the proposed branch of the Kennewick National Bank other than to agree that that bank had strong sponsorship. I called Mr. McCord's office to arrange an appointment to review the entire matter here at the bank at 2:00 p.m. on Monday, 11-20-67. - - - - -
11-16-67 AP:ws	In my conversation with Mr. Loney today I told him of Mr. Leaf's remarks and Mr. Loney said that as soon as he had the information from us concerning the investors in this area, he would submit an amended application. He will ask Mr. Edwards to prepare the economic study so that it will be available 30 days after the submission of the amended application. - - - - -
11-20-67 AP:ws	In a conversation with Mr. Loney which is referred to above he said that Mr. Burt Field of Douglas-United Nuclear Corp. was the man who would prepare the economic study. It will be prepared with about 40 hours of work at $25.00 per hour.
11-20-67 AP:ws	Today I conferred with Mr. Carlson and Mr. McCord the manner in which some stock in the proposed Columbia Center National Bank will be owned.

CM. 404 (10)

GX J-34 Price Dep. Ex. 1-22

CREDIT MEMORANDA

NAME COLUMBIA CENTER NATIONAL BANK

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
9-23-67 AP:vs Continued	On 10-3-67 I called our attorney's office and learned that Mr. Moen would be back 10-11-67. I then talked to Mr. Loney and told him that I would review item No. 4 with Mr. Moen and that sometime after 10-11-67 it would be desirable for him to come to Seattle to review all of these matters.
	- - - - -
10-23-67 AP:vs	On Saturday (10-21-67) I visited with Mr. Leaf about his having declined the application of the men in Kennewick who sought to establish the Columbia Center National Bank. He said it would be quite in order for Mr. Loney to write a letter indicating that he was developing material he felt should be included in the application when it is resubmitted to Mr. Leaf. I have conveyed this information to Mr. Loney who will write to Mr. Leaf. In an earlier call to Mr. Loney, he mentioned that an additional shopping center was rumored to be under consideration on the Northern Pacific land just south of the present Columbia Center site. He also said that a Mr. Field was being asked to prepare an economic report to accompany the re-submitted application. Mr. Loney has not concluded his work with Mr. Field but believes they can reach an agreement on the cost of this study. I have talked to Mr. Moen regarding the stock ownership of the new bank and he is giving this matter his attention.
	- - - - -
11-10-67 AP:ws	Today I talked to Mr. Moen regarding my letter of 10-30-67 and Mr. Leaf's letter advising us of the application of the Kennewick National Bank to establish a branch adjecent to the Columbia Center Shopping Center. Mr. Moen had had a chance to consider my letter of 10-30-67 but had not had a chance to visit because of my being out of town in early November. Mr. Moen said he thought it would be more desirable to have 3, 4 or 5 directors of NBofC own stock in the proposed Columbia Center National Bank than it would be to have 12 directors owning stock. Furthermore, he suggested that each of the 3, 4 or 5 directors own different amounts of stock from the other directors. He indicated that there were a number of cases which concluded that ownership by an officer or director of a corporation of stock in another corporation did not indicate indirect control by the first corporation of the second. Therefore, he said, officers of Marine Bancorporation and the NBofC could be included among the 3, 4 or 5 owners of stock in the new bank along with the men who were directors only of the NBofC. Mr. Moen said that these 3, 4 or 5 men could own as much as 20% in total of the stock of the proposed bank. Mr. Carlson and I discussed this briefly and I said I would like to review the matter with Mr. McCord who would get back next week.

GX J-35 Price Dep. Ex. 1-21

CREDIT MEMORANDA

NAME COLUMBIA CENTER NATIONAL BANK

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
9-21-67 AP:ws	construction in March. He told us he expected leasing efforts to begin in about thirty days and said further that he had been approached by many potential tenants already. The center is being developed by Realbon Corporation, a subsidiary of Allstores Realty.
	- - - - -
9-23-67 AP:ws	Today Mr. Buck and I met Mr. Leaf in the National Bank Examiners' office in the IBM Building to review the Comptroller's letter of 9-6-67 which disapproved the application for the Columbia Center National Bank. Mr. Leaf told us that:
	(1) The application appeared to be premature.
	(2) Additional economic information supporting the application was needed.
	(3) There is a sufficient number of banks in the area in the opinion of the Comptroller.
	(4) Statement 7 in the application appeared to be a misrepresentation to the Comptroller. Mr. Leaf said it was his opinion that the NBofC did have an understanding with the organizers of the proposed bank regarding its ultimate purchase by NBofC.
	Mr. Leaf felt that a letter from the developers of the shopping center would help answer item No. 1. Mr. Boys will send an architects rendering of the center as it is currently planned along with certain other information regarding lease negotiations. These also should help answer item No. 1.
	Mr. Buck and I discussed having an economic study prepared, but in a subsequent conversation with Mr. Looney on 10-2-67, he suggested a man named Edwards, an economist with Douglas-United Nuclear in Richland. He said this man's economic study had been used by one other bank and that the Comptroller had been very satisfied with it. Mr. Looney will go ahead and have a study made.
	While there are ten other banks in the area Mr. Leaf felt a development of the fact that Columbia Center would make a significant change in the retail and banking habits of residents of the area and that there was no other bank within approximately four miles of the center would clarify item No. 3 above.
	Regarding Statement 7, Mr. Leaf said that we should clarify the ownership and management of the proposed bank and that statement 7 could have an expression of the contract purchase price with wording somewhat as follows: "There is a close relationship with the National Bank of Commerce which has expressed an interest in the following matters regarding the purchase of the proposed bank." He said the application would be strengthened if some directors of NBofC could own up to 10% or 15% of the stock of the proposed bank.

GX J-36 **Price Dep. Ex. 1-20**

CREDIT MEMORANDA

COLUMBIA CENTER NATIONAL BANK

COMMENTS OR SUNDRY INFORMATION

23-67
:ws

Today Mr. Looney visited at NBofC Head Office and reviewed the profit and loss projections and the balance sheet projections for the proposed Columbia Center National Bank. He also reviewed the additional economic information being submitted to Mr. Leaf on the 29th of June. Mr. Looney said he would mail the information on Monday.

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-5-67
P:ws

Today Price Sullivan and I called on Mr. Clyde Sherwood, the District Manager of the Seattle operations of Consolidated Freightways, in connection with the Forward Thrust program. Mr. Sherwood commented that he used to work in the Tri-City area for the company and felt that this area would soon replace Yakima as the central Washington distributing center.

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9-6-67
RFB:ws

This afternoon I had a telephone call from Dean Looney communicating the following telegram:

> Regret to advise application to establish national bank at Kennewick, Washington denied. Letter follows.
>
> signed Thos. G. DeShazo 5:38 p.m. E.D.T.

I told Mr. Looney that I felt certain the denial must be on the grounds that the application was premature and asked him to keep it under his hat until we had full details. He will call Mr. Price and communicate the details when the letter is received. I also told him that I expected we would want to try to overcome the objections and refile, but that a decision would have to wait for further information.

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9-20-67
RP:ws

Today I called Mr. John Malone at McKiernan Hardward in Pomeroy to bring him up-to-date on the proposed Columbia Center National Bank. I told him that Mr. Looney had heard from the Comptroller that the application had been declined. I told him, however, that on behalf of Mr. Looney we expected early contact with Mr. Kenneth Leaf to see what additional information was necessary for resubmission of the application. He said he appreciated the call and easily would be able to place stock in southeastern Washington when and if approval is ultimately obtained. He has not talked to anyone else about this.

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9-21-67
RP:ws

Today Mr. Erickson and I called on Mr. Marvin Boys, Vice President of Koelsch Corporation, so that we could be brought up-to-date on the company's plans. He told us the board of the parent company has approved the project and cleared its financing. He said the company has 2,150 feet of frontage on Colorado Street and that $400,000 has been [illegible] in the site and improvements. He said plans are being completed so that a contractor can bid on it in December and start

GX J-37 Pride Dep. Ex. 1-19

CREDIT MEMORANDA

NAME COLUMBIA CENTER

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
6-7-67 AP:ws	Today while in Pomeroy I talked to Mr. John Malone about the proposed Columbia Center Bank. I asked if he might be interested and if he might know of 2 or 3 other people in the Pomeroy area who might be interested in buying $15,000 worth of stock in the Columbia Center Bank. I explained that the bank would have capitalization of $450,000 and th the organizers hoped to sell 1/3 of the stock in the Tri-City area, 1/ in the southeastern Washington area, and possibly as much as 1/3 in th Seattle area. They hoped that there would be about 30 stockholders. indicated that in helping these men with their organizational plans w naturally hoped the bank would be a correspondent of ours and that it might, one day, be part of NBofC. In general terms I explained that premiums of approximately 10% on deposits had been paid when other banks had made similar acquisitions and that when such banks had been merged before they reached a signifi cant size, stockholders generally hoped to be able to realize a 50% gain on their investment in a period of say 3 years even if deposits a that time would not justify such a price on the basis of a 10% premiu on deposits. Mr. Malone will consider names and be in touch with us. He understand that no commitment can be made regarding the sale of the stock at this time. - - - - -
6-6-67 AP:ws	While visiting in Wapato on 6-6-67 with Mr. Joseph Rouleau, I gained the impression that he might be interested in being invited to take some part in the management of a new bank in a new location like Columb Center. There was no specific discussion concerning this, but he did say he missed the banking business. Because Mrs. Rouleau is employed i the District Irrigation Office, the Rouleaus do very little traveling, and Mr. Rouleau finds himself to be deeply involved in community activi He appears to be in excellent health. - - - - -
6-8-67 AP:ws	On the flight between Walla Walla and Yakima, I could look down and see that construction had already started on the grading at Columbia Center. Mr. Donald Sherwood talked to Bob Matthews and me in Walla Walla about this development and commented that Sears Roebuck was still interested in being part of the center since it appeared likely that the developer would become the retail center for a wide area. I was interested in thi comment since I recently had heard from Mr. Allison that Sears Roebuck would not be in the center.

CM. 103 M80

GX J-38 Price Dep. Ex. 1-17

CREDIT MEMORANDA

NAME COLUMBIA CENTER Kennewick, Washington

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
5-25-67 AP:ws	Principal Officer
	Today I talked to Ken Leaf by telephone in Portland regarding a principal officer for the proposed new bank in Kennewick. He said he had no objections to this man being an NBofC man. In fact, he rather felt in view of the circumstances that he would be an NBofC man. There would be no embarrassment to him if one of our officers became the principal officer of the bank. It would not compromise his position nor adversely affect his relationship with the State Supervisor of Banking.
	I asked about the salary the Lacey bank president was receiving. He said he thought it was about $15,000 per year. He did not feel that the Kennewick bank could initially afford to pay this high a salary.
	- - - - -
5-25-67 AP:ws	Principal Officer - Cont.
	This afternoon I talked to Mr. Loney who was in Seattle at the office of Ford & Wade. I reported the above conversation, and Mr. Loney said this was a different impression than he had first had but that he was pleased to hear that the officer might come from NBofC. I told him we had 4 or 5 non-NBofC names in mind, at least, one or two of whom appeared quite capable of filling the role but we would review this with him later.
	I also told him we still plan to send in the economic data by 6-2-67. He said he was sending a $1,500.00 check to Mr. Leaf today, the required fee which must accompany applications for new national banks.

GX J-39 Price Dep. Ex. 1-16

CREDIT MEMORANDA

NAME COLUMBIA CENTER Kennewick, Washington

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
4-12-67 RJS:ws cont.	Mr. Leaf further told them that within 30 days after receipt and acceptance of their application, he would send a field representative to size up the situation and that Mr. Loney would be asked to provide him with temporary office space while he was there. He warned the organizers that as soon as they signed their oaths, all of their assets were behind any obligation of the bank and that any one taking $25,000 or more of stock would have to fill out a financial and biographical report and be prepared for an FBI and Internal Revenue check. Mr. Loney said these comments gave them a momentary shock, but he didn't anticipate any problems. Several of the organizers have completed their forms and he will keep the pressure on to get the rest of them in as soon as possible. We agreed that upon Mr. Price's return, it would be a good idea to have another meeting with Mr. Loney and Mr. Moen to discuss further details. Mr. Loney also agreed to call Doctor Mathisen this morning to confirm his decision to go into the bank. He also told me that Doctor Mathisen had confirmed that their present banking relationship is with Seattle-First.
	- - - - -
5-4-67 AP:ws	Today Mr. Moen, Mr. Carlson, Mr. Buck and I visited concerning the proposed bank at Kennewick. As the meeting concluded, Mr. Moen was asked to review several specific matters concerning the proposed bank. To start with, it was felt that Marine Bancorporation should own no shares in the bank, but Mr. Moen indicated he felt it would be permissible for officers and/or directors of the NBofC to own shares in the bank as individuals. He said he felt officers should not borrow to purchase the shares since such borrowings would have to be reported to the board of the bank, and these reports, in turn, must go to the Federal Reserve Board. Mr. Moen will review the law to see whether there is any reason why such officers and/or directors could not in their own name own 1/3 of the stock of the proposed bank as long as they are not on the board and are not officers of the proposed bank. It was suggested that 1/3 of the stockholders might come from other areas of southeastern Washington that would be tributary to the Center in which the proposed bank would be located. Specifically, we had in mind members of the southeastern Washington Trust Advisory Committee. The remaining 1/3 of the stock of the proposed bank might be owned by stockholders in the immediate Kennewick-Richland area. Some of these stockholders may need to borrow to purchase their stock.

GX J-40 Price Dep. Ex. 1-15

CREDIT MEMORANDA

NAME COLUMBIA CENTER Kennewick, Washington

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
4-12-67 RFB:ws cont.	thought that it might be possible to branch the new bank or establish a facility in North Richland (a part of the City of Richland) where the new Battelle and Douglas Labs., Computer Services, all are presently located, and where the Univ. of Washington Graduate Center will soon be established, before the bank itself were moved into its permanent quarters in the shopping center which will be annexed to the City of Kennewick. I told him I was not sure of the answer to the question of whether establishment of the bank within the City of Kennewick in Benton County would prohibit its branching into the City of Richland, also in Benton County, but I thought that it would. If that is the case, his suggestion might be worth pursuing. It might also be worthwhile to think about annexing the shopping center to Richland rather than to Kennewick. Mr. Philip stated, however, that Allied Stores had requested annexation to Kennewick - although Richland has already annexed the Island View area lying north of the Highway and west of Colorado Street, and annexation to Kennewick will require Kennewick to annex a long strip south of the Highway and westward out to and beyond Colorado Street. - - - - -
4-12-67 RFB:ws	After my conversation with Mr. Philip, I had a telephone call from Dean Loney, who reported that he, Mr. Smith of Allied Stores, Mr. Albaugh of Battelle, Mr. Horrobin, the Ford dealer, and Mr. Glenn Felton, the Standard Oil dealer (all but Mr. Cockran whom pressure of business kept from attending) had met yesterday in Portland with Mr. Leaf; that they were well received and sent on their way with his blessing. I asked him whether he had any indication whether anyone else had been talking to Mr. Leaf about the bank proposition. He said he thought not, that Mr. Leaf had feigned considerable ignorance about it or developments and read the newspaper accounts with interest when they were shown to him. He told them that until such time as their application were filed and accepted, everything was confidential, but at that time, it became public knowledge. Mr. Horrobin asked him point blank about their chances, and Mr. Leaf's response was that he would be discouraging them if he did not think their chances were pretty good. Mr. Leaf also told them they should furnish him as soon as possible the name of the managing officer whom he would like to interview. He also suggested that capital should be $250,000, with $125,000 surplus and $75,000 in undivided profits, but offered no reason for the change beyond the comment that no dividends could be paid until surplus was equal to capital.

CD. 783 1966

GX J-41 Price Dep Ex. 1-14
CREDIT MEMORANDA

NAME COLUMBIA CENTER Kennewick, Washington

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
4-6-67 RFB:ws	This morning I had another telephone call from Sherwood Fawcett suggesting Fred Albaugh, Associate Director of Battelle Northwest at Richland, who did not have any formal responsibility for placement of bank accounts, would not have the same conflict of interest as he, Sherwood, might have and should be able both to be an organizer and attend the projected first meeting in Portland. I thanked him very much and told him that we had been considering asking Fred but wanted to discuss it first with him, so we were grateful for his phone call. I then communicated this to Dean Loney by telephone and he will talk to Albaugh at once. - - - - -
4-7-67 RFB:ws	This afternoon Mr. Loney telephoned to bring me up-to-date. He had talked to Fred Albaugh of Battelle who had agreed to make the Portland trip as an organizer. Mr. Jensen of the Penney's Store had been told that company policy did not permit him to do so, but he was going to home office to substantiate this. Mr. John Neuman, Manager of the Port of Kennewick, had declined as he is a director of a savings and loan association. Mr. Jerry Horrobin, Ford dealer in Kennewick, and Mr. Stanley (?) Cockran, one of our Kennewick Branch customers have both agreed. Mr. Mathisen of Donald W. Douglas Laboratory would not be back until Sunday evening. If he is willing, on such short notice, they will add him to the Portland traveling group. Mr. Glenn Felton, the Standard Oil distributor, former mayor, and presently a member of the Kennewick City Council, has agreed to complete the organizational group which will then consist of: Glenn Felton Fred Albaugh Stanley (?) Cockran Dean W. Loney Jerry Horrobin William Mathisen They expect to keep their appointment with Mr. Leaf on Tuesday. - - - - -
4-12-67 RFB:ws	Mr. Philip called again this morning to report that he had yesterday talked to Doctor Mathisen, head of the Donald W. Douglas Laboratory, who had agreed that he would be a stockholder and would serve as a director if we wished him to do so. He then went on to pose the question: Whether the temporary office of the new bank (pending completion of the shopping center) could be located near the Valu Mart property, which he claims, is in the City of Richland rather than on the Allied Stores property on which the shopping center will be constructed. His question was prompted by the

GX J-42 Price Dep. Ex. 1-13

CREDIT MEMORANDA

ME	COLUMBIA CENTER	Kennewick
ATE SOURCE	COMMENTS OR SUNDRY INFORMATION	

4-5-67 RFB:ws

This morning I had a phone call from Robert Philip reporting that he had, over the weekend, talked to Sherwood Fawcett, who was agreeable to becoming a director and stockholder, although he was unsure whether he could be one of the organizers who would meet with the Comptrollers Office in Portland.

He also reported that Bill Mathisen, Head of the Donald W. Douglas Lab. was out of town until Monday at which time he would try to talk with him. He was also going to talk to Jerry Horrobin this afternoon. He has already talked to Doctor Kuffell, who is willing to be included. Further, he said that he and Glenn Lee would each be willing to buy $50,000 worth of stock.

This afternoon Dean Loney telephoned to tell me that he had also talked to Fawcett and that Fawcett was willing to go to Portland on Tuesday for the appointment which Loney has arranged with Ken Leaf.

Apparently no one has yet talked to the Penney's store manager, but they intend to do so as soon as they can find out whether he will be the manager of the new store Penneys will put in the Center.

Mr. Loney expressed some concern of the way Mr. Philip seems to be proceeding. He apparently was concerned that matters might be getting out of his hands. I told him I appreciated his expression of opinion and would see what I could do to hold Mr. Philip down if that were required.

I also told him that when Mr. Carlson got back on Monday I would give him a full status report and then talk again with Mr. Loney before he left for his appointment on Tuesday with Mr. Leaf.

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4-5-67 RFB:ws

Mr. Fawcett telephoned this afternoon and said that he had reconsidered his decision to be an organizer in the light of his having to participate in a meeting with the Comptroller in Portland. He said that he had to tread a very fine line as to conflict of interest and thought, perhaps, he should not even become a stockholder. I told him I could understand perfectly as to his being publicly acknowledged as an organizer, but that I hoped he could find a way to resolve the conflict if he were to be no more than a stockholder and that we would prefer just to leave that question to be resolved in the future, clearing understanding that at this point he could not actively participate.

I communicated this by telephone to Mr. Loney who said that he could understand the position and would talk to John Bowman, Manager of the Port of Kennewick, to see if he could go in Mr. Fawcett's place.

GX J-41 Price Dep. Ex. 1-12

CREDIT MEMORANDA

NAME COLUMBIA CENTER

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
3-31-67 AP:ws Cont.	contact Mr. Smith. If Mr. Smith is favorable toward being one of the organizers of the new bank, Mr. Smith and Mr. Loney will attempt to sign up 3 to 5 other organizers so that the "Application to Organize a National Bank and Representations of Applicants" can be promptly completed and returned to Mr. Leaf. Mr. Moen said that Mr. Loney told him Peoples National Bank was at about the same state we are in seeking to have a bank organized in Columbia Center; therefore, time is of the essence. As noted above Mr. Buck will ask for a letter of invitation to be addressed to Mr. Loney as agent for the proposed Columbia Center National Bank. This should help clarify the position. Loney's address is: Dean W. Loney Loney, Westland & Koontz 300 Kennewick Avenue Kennewick, Washington 99336 - - - - -
3-31-67 RFB:ws	Late this afternoon I talked to Pat Segner by telephone telling him that Mr. Price had left the bank but had asked me to call him to bring him up-to-date before he talked with Mr. Allison on Monday. I informed him of our conversation with Dean Loney and his agreement to act as agent and the fact that he would be over on Monday morning to confer with me and with our attorneys. I also told him of our contact with Mr. Philip, who Mr. Philip was and of our belief that he would be helpful in assisting us to obtain other influential stockholders from some of the major corporations that were moving into the area. He wondered whether Mr. Philip was associated with the newspaper with whom they had had a law suit some years ago, but neither he nor I knew whether it was this newspaper or another paper which is no longer in existence. In any event, he felt Mr. Philip was the type of person we should be talking to. I then told him we were hopeful of getting a letter to the Regional Administrator of National Banks the first of the week and that I expected we would need a letter of invitation from Allied Stores to be in the shopping center, inquiring whether he thought we should have that now or at some later date. He said let's make it later because we have a lot of facts and figures to talk about such as the amount of space you are going to require, etc. I then asked him if it was true he was contemplating only one bank in the center. He answered that was correct, although there would probably be a savings and loan association. I then said it was our assumption they would want a substantial bank investment to be made, and he indicated that also to be the case. This about concluded our conversation and he promised that he would call me as early as he could on Monday after talking to Mr. Allison.

CH, 703 5/60

GX J-44 Price Dep. Ex. 1-11

CREDIT MEMORANDA

NAME COLUMBIA CENTER

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
3-30-67 AP:ws Cont.	In Mr. Philip's opinion, Mr. Sherwood Fawcett and Mr. Clyde Tipton of Battelle Northwest would not participate as organizers. - - - - -
3-30-67 AP:ws	This evening I talked to Mr. Pat Segner in Phoenix, Arizona at his home No. 946-3286 (Mr. Allison's residence telephone is: 945-9606, and their office is 946-3431). He concurred with our feeling that if we could get Mr. Morris Smith, Manager of the Bon Marche in Richland to be the principal organizer, we should do so. He said, however, that he would like to talk to Mr. Allison about this and that he would call Mr. Buck, in my absence, on Monday or Tuesday concerning this. Regardless of whether he encourages Mr. Buck to talk to Mr. Smith, Mr. Buck will ask for a letter of invitation addressed to Mr. Loney or Mr. Westland as agent (see comments below). During my conversation, Mr. Segner confirmed that the center would be called "Columbia Center" and that he felt Columbia Center National Bank would be a suitable name. He said temporery quarters could be built at some location on the site. As the proposed part for its temporary structure, he felt the land could be given to the bank at no cost during the time the shopping center was being built. He said a current lease or a purchase could be arranged for the later structure on the mall. He said the center is likely to be opened in early summer of 1969 and said that an announcement about the center would probably come out about April 9, 1967. Mr. Segner said the center is being annexed to Kennewick. He said he would be in Seattle about May 1. - - - - -
3-31-67 AP:ws	Today Mr. Carlson, Mr. Buck and I reviewed all of the above. Subsequently I called Mr. Beavers and asked him to reach Mr. Loney to see if he or Mr. Westland would be the agent for the proposed bank. I asked Mr. Beavers to see if one or the other could meet with Mr. Buck and Mr. Moen on Monday or Tuesday of next week to discuss organization plans further. Mr. Beavers understands that no contact is to be made with Morris Smith of the Bon Marche until after we hear from Mr. Segner. I telephoned Mr. Moen to bring him up-to-date and he expects to meet with Mr. Buck on Monday or Tuesday. - - - - -
3-31-67 AP:ws	Mr. Beavers was successful in reaching Mr. Loney who will act as agent. Subsequent to his conversation with Mr. Beavers, Mr. Loney called Mr. Moen and after Mr. Moen had talked to me about this, he called Mr. Loney back and suggested that he call Mr. Leaf and indicate that he was representing a group of men in Kennewick interested in starting a bank at the Columbia Center Shopping Center. At my suggestion Mr. Moen asked Mr. Loney to say that these men hoped the bank would be able to establish a correspondent relationship with the NBofC. Mr. Loney is going to ask for the necessary papers. He will review these and be in Seattle on Monday early in the morning to visit with Mr. Moen in his office. Mr. Buck will also be present. After this meeting and following receipt of a telephone call from either Mr. Segner or Mr. Allison, Mr. Loney will

CH. 703 R60

GX J-45 Price Dep. Ex. 1-10

CREDIT MEMORANDA

NAME COLUMBIA CENTER

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
3-27-67 AP:ws	Today Mr. Lyle Beavers visited with Mr. Carlson and me regarding the formation of a unit bank in the Columbia Center Shopping Center, which bank would have a correspondent relationship with NBofC. Mr. Beavers indicated that he had a man in mind who could be chairman of the bank and had several other people in mind who could be founding applicants for the bank. Mr. Beavers will provide us with some background information about these men before making any contact with them. Mr. Beavers will also develop information on the stockholders of the three banks in the Tri-City area which have been sponsored by the Old National Bank of Washington to see if there is a pattern established as to applicant shareholders. Following his visit with us, Mr. Beavers had lunch with Mr. Moen with whom he discussed such matters as "the agent" who will help prepare the application. Mr. Moen said that he could act as agent if we wished him to do so. - - - - -
3-30-67 AP:ws	Today I received a memorandum, which is a part of this file, from Lyle Beavers giving the names of Mr. K. T. Campbell and Mr. Gilbert J. Ackerman as his choices for sponsors for a new bank in the Columbia Center. Upon receipt of this memorandum, Mr. Carlson, Mr. Buck and I sat down and discussed these names. Mr. Buck said that yesterday he had been in the Tri-City area and that Mr. Robert Philip of the Tri-City Herald had sought an opportunity to talk to him and had expressed an interest in Columbia Center. It was Mr. Buck's feeling, with which we concurred, that Mr. Beavers should be asked to check the two names he had suggested as sponsors with Mr. Robert F. Philip in a very confidential way, and at the same time, inquire whether Mr. Philip would like to be the sponsor or whether there were any other names which Mr. Philip could suggest as sponsors. This afternoon Mr. Beavers called back to say that he had luncheon with Mr. Philips and that Mr. Philips felt he could not be one of the named organizers. Together Mr. Beavers and Mr. Philips suggested the following additional names as organizers: (1) Morris Smith — Manager of Bon Marche * (2) Mr. Loney or — Law firm * (3) Mr. Westland — " * (4) Cliff Jensen — Manager of Penneys in Kennewick (5) Fred Albaugh — Battelle Northwest (6) William Mathieson — In charge of Donald W. Douglas Laboratories (7) Dr. McCartney — Richland * (8) Dr. Kuffel — Pasco, Richland, Kennewick * (9) Dr. Putra — Pasco *(10) Gilbert J. Ackerman — Kennewick *(11) John Rawson — Mgr. Port of Kennewick *(12) Jerry Borobin — Ford dealer, Pasco * Customers of NBofC.

CR. 702 900

GX J-46 Price Dep. Ex. 1-9

CREDIT MEMORANDA

NAME COLUMBIA CENTER Kennewick

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
3-10-67 AP:vs	Today I called at Mr. Leaf's office in Portland and visited with him about our interest in helping a new national bank get established in Columbia Center. Mr. Leaf's position was the same as it had been earlier He indicated that a center such as the one Allied Stores plans to build in conjunction with J. C. Penney Company would certainly be worthy of having a bank in it. He interposed no objection to Marine Bancorporation's having a 24% ownership. He said the only objection could come from the Kennewick National Bank which is making slow progress in building loans and deposits. He indicated, however, that because of the sponsorship of that bank by the Old National Bank of Washington that this should not be an impediment to the formation of a unit bank in Columbia Center. He understands that Columbia Center is about 6 miles west of the Kennewick National Bank. Mr. Leaf had no comments regarding the number of stockholders a new bank should have or the amount of capital which it should have. - - - - -
3-15-67 AP:vs	Mr. Pat Segner called today from Yakima about another matter and inquired as to how we were coming with Columbia Center. I told him that we had resolved several matters in connection with the bank and that we had talked to the Comptroller's Office concerning it. In answer to a question of mine, he said that both he and Mr. Allison would probably be interested in owning stock in the new bank, and that he thought Mr. Allison might be pleased to be among the founding stockholders. As to the amount of their investment, Mr. Segner suggested that we outline our proposal in writing to Mr. Allison. He said the investment would depend on the availability of cash at the time. I indicated that we felt we would be unable to lend funds to any stockholder for the purchase of stock. - - - - -
3-16-67 AP:vs	Today I talked to Mr. Leaf further regarding the new bank in Columbia Center. Mr. Leaf said that as far as he knew no application for a new national bank had been approved anywhere in the last two or three years with initial capital funds of less than $300,000. He did not indicate that it would be necessary for a new bank in Columbia Center to have any greater capital funds than this. Capital funds included capital surplus and undivided profits. Mr. Leaf said that it would not be necessary to have a large number of shareholders, and he indicated that the figure 7 used of possibly 25 shareholders would be satisfactory with the Comptroller of the Currency. He did not feel that any particular number of these needed to come from the Tri-City area, although he suggested that we would certainly want some from that area.

CS. 150 1-64

GX J-47 Price Dep. Ex. 1-8

CREDIT MEMORANDA

NAME COLUMBIA CENTER Kennewick

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
2-10-67 AP:ws Cont.	Columbia Center will be occupied by Penneys as well as by the Bon Marche. Mr. Allison said he and his associates are even more determined to make the shopping center the major center for the Tri-City area than they were in earlier stages of their planning. - - - - -
2-10-67 AP:ws AP	Later today Mr. Carlson and I met with Mr. Rightmire and Mr. Beavers. Both men said there were a number of good friends of the NBofC who were customers of their respective offices, who would welcome an opportunity to invest in a unit bank friendly to NBofC. After Mr. Beavers and Mr. Rightmire left I spoke further with Mr. Carlson on this matter. We both felt that someone, perhaps Bob Buck, should go to Phoenix to talk to Mr. Allison about this development as soon as our plans develop further. - - - - -
2-15-67 AP:ws AP	Today I talked to Kenneth Clark and asked him to get the papers that would be necessary for the submission of an application for a unit national bank. - - - - -
3-6-67 AP:ws NA 4-1234	Today Mr. Rex Allison called to inquire as to the progress we had made in our efforts to establish a new office at Columbia Center. He said plans to annex the site of the Center to Kennewick were proceeding rapidly and that if we wished get in before incorporation, we should act promptly. He said that Marvin Boys, (NA 4-1234) was well informed on the subject and that we could talk to him in confidence. - - - - -
3-6-67 AP:ws AP	Later today I called Marvin Boys in his office and told Mr. Boys that there was no need to delay annexation to Kennewick on our account. He pointed out a location on the site plan where a bank could occupy up to 8,000 sq. ft. of space. He said that an announcement regarding the Center would probably be relayed in about 10 days, that clearing would begin 10 days after that, and that it was their hope utilities could be installed before the end of this year. He said the City of Kennewick has indicated a willingness to provide utilities costing approximately $300,000. Construction would then begin on the Center itself in the spring of 1968, and opening date of 7-1-69 could be set. - - - - -
3-7-67 AP:ws AT 2-6435	Today I reviewed the above two conversations with Mr. Carlson and Mr. Buck. I will review them also with Mr. McCord to further define the manner in which we will attempt to form the subject bank. The names of Walter Funk, Lyle Beavers and David Colkett have all been discussed as possible organizing officers. I discussed the matter by tele. Bon with Kenneth Leaf in the Comptroller's Office in Portland and have made an appointment with him to talk about the matter again on Friday, 3-10-67, at 4:00 p.m.

CB 493 (10)

GX J-48 Prior Dep. Ex. 1-7

CREDIT MEMORANDA

NAME COLUMBIA CENTER

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
9-16-66 AP:ws	Rex Allison had lunch at the bank with RJS and me today. He confirmed that the Bon Marche had now purchased the interest in the property of Don Sherwood in Columbia Center. He said John Graham was continuing work on plans for the development of the center and said that in the Bon Marche's case, the entire floor layout and fixture layout have been completed. He said that he felt that Penney's plans were at about this same stage of development. He indicated the center was still planned for initial construction in 1968. Mr. Allison encouraged us to have the bank apply for a charter and get under way with its structure indicating that ground could be purchased or leased for this purpose. The building can be freestanding or it can be in the shopping center mall. The store in Columbia Center would not be operated as a unit of the Seattle Bon Marche. Rather, the Richland unit of Allied Stores would be moved to Columbia Center, and then the stores in Walla Walla and Yakima would be made branches of this Columbia Center store. Mr. Allison suggested that we get in touch with Jim Walsh, VP of the Bon Marche. He is in charge of all Northwest real estate activities while Mr. Larry Lean is in charge of retail sales in the area. - - - - -
12-2-66 AP:ws	Today Mr. David P. Scanlan and several of his associates were guests of the bank at a Head Office luncheon arranged by Jim Menghini, Manager of our First South-Stacy Office. Mr. Scanlan indicated quite an interest in the Columbia Center Shopping Center being developed by Allied Stores. He said the Sears Roebuck Store in Pasco was quite new, but I sensed he was concerned that Columbia Center might become the area's principal trading center. This information should be kept in confidence, but I am putting it in both the Columbia Center branch expansion file as well as the Sears, Roebuck & Co. file. - - - - -
2-10-67 AP:ws	Today Mr. Rex Allison telephoned me from Phoenix where he can be reached at 946-3431. Mr. Allison indicated the shopping center at Columbia Center near Kennewick will be built probably by an Allied Stores subsidiary, and it is expected to be in operation in 1969. Because the center will need utilities available from Kennewick, the center will ultimately be annexed to Kennewick. Mr. Allison said that if we were going to express an interest in a bank in Kennewick, we should do so promptly as he must make a decision. We can either rent or buy land, or we can lease quarters on the Mall from the owners of the development (probably an Allied Stores subsidiary). Mr. Allison observed that he did not think we would want a freestanding building as this has resulted in certain problems for the bank in the Tacoma Mall Shopping Center. Merchants there do not like to carry deposits across the parking lot to the freestanding building. Seattle-First, he said, will be in a freestanding building at South Center.

GX J-49 Price Dep. Ex. 1-6

CREDIT MEMORANDA

NAME SOUTHCENTER, COLUMBIA CENTER & OVERLAKE SHOPPING CENTERS

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
9-8-66 AP:ws Cont.	Columbia Center Mr. Allison said that Allied Stores was taking over the land formerly owned by Don Sherwood of Sherwood & Roberts, from Mr. Sherwood today. He said that Allied Stores may not be the owners and operators of the Center, but that he, Rex Allison, was going ahead with his plans and that he felt that he might still persuade Allied Stores that it was sensible to own and operate. He said that because of the tight money market, Bon Marche was not moving ahead as fast with its plans for the Center as it had originally planned to do, but that both the Bon Marche and Penneys were continuing with their planning work. I told Mr. Allison of our interest in having the bank in the Center and he urged that we go ahead to develop an independent unit bank in the site with the assurance that Columbia Center would develop and that he would like the NBofC, or a bank in which the NBofC was interested, to have a branch in the center. I did not ask about our purchasing land in the Center for the bank but felt that consideration should be given to this and that this matter should be discussed with Mr. Allison when he is in Seattle during the week of 9-12 through 9-16-66. Overlake Park Mr. Allison then volunteered that his thoughts were changing regarding Overlake Park and the desirability of the Bon Marche developing there. He said he was convinced that the East Side warranted a store, but that with the sale by the original owners of the property adjacent to the 12.42 acres owned by the Allied Stores, to Mr. Triplett of Big "C" Stores (Government Mart) that the quality of the area might be changing and that it might no longer have the appeal that it once did as a location for the Bon Marche's East Side store. He said he had not excluded the Crossroads area and that personally he was inclined to favor Crossroads. He said that Sears Roebuck and Penneys had both indicated a desire to be in whatever center the Bon Marche developed and the fact that Rhodes was in Crossroads would be no deterrent with his being interested in that site. Because of these thoughts which he said were most confidential, Mr. Allison suggested that retain flexibility to move our proposed Bellevue-Redmond Road branch to another site. Again, Mr. Allison expressed his interest in having the NBofC represented in the Bon Marche's East Side shopping center complex.

Cm. 783 rb0

GX J-50 Price Dep. Ex. 1-5

CREDIT MEMORANDA

SUBJECT SOUTHCENTER, COLUMBIA CENTER & OVERLAKE SHOPPING CENTERS

DATE SOURCE	COMMENTS ON SUNDRY INFORMATION
9-8-66 AP:ms	Today Rex Allison, Exec. VP of Allied Stores, returned my call from Phoenix. We discussed the plans for the development of shopping centers in three locations:

Southcenter Shopping Center (Tukwila)
Columbia Center (Tri-Cities)
Overlake Shopping Center (East Side)

Southcenter Shopping Center

I told Mr. Allison that the purpose for my calling was to let him know that the NBofC had had an application approved in the vicinity of Southcenter, but that initially the branch would need to be located near the freeway southwest of the proposed shopping center in a very temporary location. Following the establishment of the branch, the bank would petition for annexation of its property to Tukwila with the hope that the branch could eventually go into the Southcenter Shopping Center. I told him that this might need to be done in 2 steps because we understood Seattle-First had an exclusive arrangement with the developers for a period of time following the opening of the Center. I said that we thought that as an interim step, it might be possible for us to locate immediately across Strander Boulevard on the property presently owned by Allstores Realty and we wished his comments on this move and probability of our ultimately moving into the Center.

Mr. Allison commented confidentially that he did not feel Seattle-First knew that our exclusive in Northgate had expired when Seattle-First applied for its branch in Northgate. On the basis of our apparently having permitted them to go into Northgate in advance of the expiration of our exclusive agreement there, Mr. Allison felt that at the "right time" they would be willing to make the same concession in Southcenter.

Mr. Allison said he did not have at hand the agreement with Seattle-First relating to Southcenter. He said he would dig it out. He thought that while it was in writing that it may have been an informal document not signed by both parties. He said Roger Shidler had the papers and that he would communicate with him about our interest in Southcenter.

Mr. Allison said he thought the property I made reference to across Strander Boulevard may have been acquired after the negotiation of the exclusive agreement with Seattle-First and that in this event, we might be able to locate temporarily on this property. He said he would ask Mr. Shidler to check into this as well.

Mr. Allison said the Bon Marche still hopes to open its Southcenter Shopping Center in August, 1968 and feels that NBofC should be in the Center in view of the Center's having competitive stores in almost every other area of retail activity. He said he thought even Seattle-First would concede that there was value in having the Center's activities concentrated rather than being spread out over a wide area.

GX J-51 Price Dep. Ex. 1-4

CREDIT MEMORANDA

NAME COLUMBIA CENTER Kennewick - Tri-Cities

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
8-26-66 AP:ws	Today Pat Segnar called just before leaving Seattle to talk to us about Columbia Center. He said he would have come into the bank to do this but that the air lines strick had so interfered with his travel schedule that this was not possible. The principal purpose of his call was to indicate that Don Sherwood may not wish to go through with the development. Mr. Segnar indicated that this was because of Mr. Sherwood's age, the tight money market and the fact that Mr. Sherwood might have to put up an additional $3 or $400,000. of his own funds, a commitment he did not wish to make in view of his age. Mr. Segnar indicated Penneys still plans to build on its 15-acre site and the Bon Marche still plans to build on its 10-12 acre site. Mr. Segnar felt Allied Stores should have purchased Mr. Sherwood's interest but said that they had determined not to do so. The entire site contains 80 acres so there would be approximately 55 acres outside of the property owned by Penneys and the Bon Marche. The center is still scheduled to open in 1968, although Mr. Segnar did not sound as positive about this as he did at the time of an earlier visit. He said that including buildings and land and land development costs would be $4,000,000. Connecticut General Life Insurance Company owns the Tacoma Mall and the Southcenter development and leases them back to the Allied Stores at a constant fee. However, they do not wish to make the investment at Kennewick in view of the $30 million they have committed to these other developments. Mr. Segnar said he thought Kennewick could be financed out at 90% and that the potential investor who would take Don Sherwood's place might have to put up as much as $500,000 total. Mr. Segnar said that Kennewick development would be a longer term pay back than the two Puget Sound area developments. He said he was calling Mr. Sherwood today concerning his investment in the land and would be in touch with us.

C.C. 709 Rev.

GX J-52 Price Dep. Ex. 1-3

CREDIT MEMORANDA

NAME COLUMBIA CENTER Tri-City Area

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
5-23-66 AP:ws	Following Mr. Sherwood's call on Mr. Stowell and me in Seattle, I visited with Mr. Beavers at our Richland Branch on Friday, May 19, 1966. As we drove from the airport at Pascoe to his office in Kennewick, I told Mr. Beavers in strict confidence of our interest in the shopping center being developed by Mr. Sherwood and called Columbia Center. I first told Mr. Beavers that one of the organizations affiliated with the bank we would hope to own 24% of the stock of the new bank. I indicated the capital would probably by $400,000 and that we would hope people friendly to the NBofC might wish to own another 25% of the new bank's stock. This would leave approximately $250,000 of stock to be subscribed by people in the Kennewick area or by the developers. Mr. Beavers said he did not think there would be any difficulty in getting local people to subscribe for this amount of stock, and he said he felt local people could do this without the necessity of using borrowed funds to purchase the stock. I asked him to make a list of 20 suggested subscribers and send it to me As to directors, I indicated that it would be helpful to have some four local directors and I asked that he give consideration as to who these men might be. I expressed the hope that they might be friendly toward the bank. Mr. Beavers indicated he felt Richard D. Pearson, Assistant Manager of the Kennewick Branch, would have the capacity to be manager of the proposed bank. He is well regarded, according to Mr. Beavers, in the Kennewich area. - - - - -
5-23-66 AP:ws	Today I talked to Mr. Stowell and Mr. Faragher about my conversation with Mr. Lyle Beavers on Friday evening. I did this so that they would be informed. We also discussed Mr. Sherwood's visit on Wednesday and they concurred that a letter to Mr. Sherwood expressing our desire to be helpful would be in order. A copy of the letter is made a part of this file. - - - - -
6-7-66 AP:ws	Last night I called Lyle Beavers to inform him that Mr. Stowell had had a telephone conversation with Mr. Sherwood yesterday, telling Mr. Sherwood that we were still very interested in this location and we were awaiting the plans which he said he would send to us as noted in the memorandum of 5-18-66. Mr. Sherwood said that other banks had written concerning their interests in Columbia Center, but that he hoped that ours would be the bank in the development. He said plans would be sent to us soon as he had promised earlier. I told Mr. Beavers that I appreciated receiving his letter of May 25, 1966 and asked him to keep us informed ff any information concerning Columbia Center came to his attention.

FM. 703 R69

GX J-53 Price Dep. Ex. 1-2

CREDIT MEMORANDA

NAME COLUMBIA CENTER Tri-City Area

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
4-1-66 AP:ws	Today in response to a telephone call from Rex Allison in Phoenix, while I was in Tucson, I returned the call. Mr. Allison had called concerning the program for the establishment of the South Center and Columbia Center developments. In his absence I talked to Pat Segner who said that the Columbia Center was now scheduled to be opened in June 1968, and incidentally he said that the South Center will open in March, 1968 with the completion of the Freeway. Mr. Segner said a decision would soon have to be reached on which bank was going to be located in the Columbia Center development. He said the only other information he could give me was that the area might be incorporated in Kennewick before the center was opened. This would clearly give us the opportunity to move our Kennewick Branch to the site if such a move is desirable and if we could obtain approval from the Comptroller of the Currency. Mr. Segner said that he or Rex Allison would be in Seattle in about 60 days and would talk to us then. - - - - -
4-7-66 AP:ws	After our return from Phoenix, Mr. Carlson and I talked with Mr. McCord about the matter of opening an office or establishing an office in the Columbia Center. Mr. McCord suggested that I talk to Mr. Moen since he was the best informed on this subject. Subsequently I did so, and Mr. Moen is giving the matter his consideration. - - - - -
5-18-66 AP:ws	Today Mr. Donald Sherwood was in Seattle and called on Mr. Stowell and me. The purpose of his visit was to inquire as to our interest in establishing a bank in Columbia Center. He showed us the architect's (John Graham) sketch of the site which includes a large Penneys Store of about 135,000 sq. ft. and a Bon Marche Store of about 105,000 sq. ft. Other space will be leased so that about 400,000 sq. ft. will be under cover and 360,000 in total will be available for lease. This leaves about 140,000 over and above the 2 major leases. Mr. Sherwood indicated that he owned all of the property except that owned by Penneys and Bon Marche which includes only their stores and adjacent parking areas. Mr. Sherwood is not selling any of the remaining property but will lease it from $4 to $5 per sq. ft. He said other banks including National Bank of Washington had approached him with all sorts of proposals. He indicated, however, that the National Bank of Commerce appeared to be favored by Mr. Segner and Mr. Allison and that their interests would be considered even though they did not own the land. There would be only one commercial bank in the center. Mr. Sherwood has also been approached by Washington Mutual Savings Bank, but has not made up his mind whether a mutual savings bank or a savings and loan should be in the center. He will send us a plan of the area showing 2 suggested locations. Then, we will need to talk to him and negotiate a rental. He made no commitment to us, but I sense that he favored the National Bank of Commerce too. He did not respond to our inquiry concerning his taking an interest in any bank to be established in the center.

GX J-54 Price Dep. Ex. 1-1

CREDIT MEMORANDA

NAME COLUMBIA CENTER Tri-City Area

DATE SOURCE	COMMENTS OR SUNDRY INFORMATION
7/7/61 RJS:lp	When Don Sherwood was in a few days ago, he said he thought Columbia Center would incorporate as of July 3. They have bought the land but it will probably be 3 years or more before they finally get under full operation. The principal tenant will be the Bon Marche. In the meantime, Don Sherwood is going to convert his vineyard adjoining Kennewick into a shopping center and he indicated Albertson's will probably go into this. ooOoo
10-21-65 RJS:ws	I talked to Rex Allison this morning on the telephone. He said that he had just concluded their meetings here, he was catching the plane at 12:00 but that he wanted to talk to me before he left. I told him that we were interested in a bank in the new shopping center but that it could not be a branch of the National Bank of Commerce because it would not be in an incorporated town. He is aware that I had talked to Don Sherwood about it. He said that it is their intention to let Don own the land, but that Don had turned over to him the matter of a bank because, as Rex put it, Don does business with several banks and didn't want to get in trouble with any of them. During the conversation Rex said he had a strong loyalty to NBofC and would like to put us in the location. I told him we were making a legal study as to whether a state bank could be started there by some of our directors or interested parties, and if such were done, I felt that both he and Pat Segner would be allowed to own some stock. He said he would like to do this and that he recently became interested in a bank in Arizona where he was a sort of front man. He promised the National Bank of Commerce would have the first opportunity of going into this spot. During the conversation he said that the layout was for a real big center, that Allied alone was going to have 100,000 sq. ft. and going to be so designed that it could be doubled. He said there would be a heated airconditioned mall, which is very expensive, and he indicated if this did not go over, they would certainly be wrong. We talked a little about a location for a bank and he indicated that his feeling was that the right spot would be one attached to the side of the mall and not separate and away from it such as the National Bank of Washington has in the Tacoma Mall. He said that the area was not a usual development and that the people in Olympia were dead sure that Richland would be designated for the new accelerator. Rex will be back in Seattle on 11-16-65 in connection with his condemnation suit. He will be here possibly a couple of weeks and has agreed to have lunch with us at that time so that further discussion can be carried on.

GX K-1

MINUTES

BRANCH EXPANSION COMMITTEE

August 11, 1965
2:00 p.m.

Present: Messrs. Carlson, Stowell, Buck, Macdonald, Erickson and Price.

As a result of the meeting today, top priority was given to the submission of an application at Fourth Avenue South and Marginal Way South. Property at this site will be acquired about the end of August. The application will be submitted to the August Board meeting.

Crossroads

The Crossroads application declination was reviewed along with the correspondence and telephone message from the Comptrollers Office. These suggest that we should re-submit our application at an early date, and Mr. Erickson was asked to stay in close touch with the developers of the Crossroads Shopping Center so that we might re-submit the application as soon as the Center's covered area is sufficient, under terms of its agreement with Seattle Trust and Savings Bank, to support two banks.

South King County

Two areas in the south part of King County were reviewed. One, is the area between the Seattle-Tacoma Airport and the Lewis & Clark Theatre site. The other, is the industrial area in the Duwamish Valley near the new Kent facilities of Boeings. A study will be made of these two areas and recommendations brought to the Committee.

Other Areas

Other areas reviewed were the following:

Airway Heights
Bainbridge Island
Bonney Lake
Columbia Shopping Center-Tri-City Area
Cosmopolis
Kingston
Milton
Point Roberts
Richmond Beach
Seattle: Loyal Heights
Oxbow
Westfair Shopping Center

Mr. Price reviewed certain information with respect to the growth of de novo branches, branches opened by Seattle banks since 1-1-64 and the outstanding list of applications for branches by major Seattle Banks.

Andrew Price, Jr., Chairman

309 (19)

GX K-2

Stowell Dep. Ex. 1 - Price Dep. Ex. 3

MINUTES

BRANCH EXPANSION COMMITTEE

November 9, 1965
2:00 p.m.

Present: Messrs. Stowell, Erickson, Olswang and Price.

The following locations were discussed:

Lewis and Clark Theatre

Mr. Olswang reported on this location and said that he and Mr. Erickson would soon review this area with Fred Danz and Rick Anderson.

Crossroads

In view of Mr. Carlson's conversation with the Office of the Comptroller of the Currency and Mr. Carlson's suggestion that we review this location again in the fall, Crossroads was discussed today. Mr. Olswang commented that Crossroads was built along the lines of an old shopping center without an enclosed mall, and that it was more difficult to lease the Crossroads type of space than it had been in the past. No additional space has been built and there continue to be vacancies in the center; however, because of the continuing growth to the east of Crossroads, we will look at this location again in the spring.

Columbia Center

We discussed the possibility of an office in this Tri-City location again. The suggestion was made that we attempt to obtain the help of a California bank in financing stock purchase in a new bank by some of our friends so that we might control any bank established with our blessing in the center.

Factoria

Mr. Olswang reported that a new Valu-Mart Store was scheduled to be built in this location.

Obrien - Kent

Mr. Olswang and Mr. Erickson will review the availability of land in this area with Harold Iverson.

Bingen

The Committee reviewed the recent information submitted by Marion Babb of our White Salmon Branch. The Committee felt that there was an essential difference between the White Salmon-Bingen situation and the Ilwaco-Long Beach situation. In the latter case, Long Beach is a growing community. In the former case, there seems to be little indication that significant growth is taking place in Bingen.

309 (20)

GX K-3

Stowell Dep. Ex. 2 - Price Dep. Ex. 2

MINUTES

BRANCH EXPANSION COMMITTEE

Meeting - December 17, 1965
3:00 p.m.

Present: Messrs. Carlson, Stowell, Buck, MacDonald, Erickson, Olswang, and Price.

Eastern Washington Locations Discussed:

Kettle Falls Area:

A memorandum from Mr. Sollin concerning his conversation with Mr. Rayburn about this area was reviewed.

West Richland:

West Richland, as a possible location, was reviewed. Some interest was shown, but it was felt there is no urgency about this location.

Chelan:

A memorandum from Mr. Pacot and the information from Mr. Davis, Manager of the Brewster Branch, concerning Mr. Les Babcock's desire to organize a bank in Chelan was discussed. It was felt that we should show an interest in this location, if Mr. Babcock pursued it. He will need a Seattle correspondent and this is a location that we have previously discussed. Mr. Pacot will follow.

Mattawa:

This area will soon have irrigation water and it may have a railroad branch line built to it. The Wahluke slope is good early farmland, but it would be premature to consider a branch location at this time. Mr. Matthews will keep in touch with development.

George Washington:

We should continue to be alert to developments in this community, but no one on the committee felt that it merited our immediate consideration for a branch location. Mr. Matthews and Mr. Smith, Manager of our Quincy Branch will keep us informed.

Western Washington Locations Discussed:

Maple Valley:

The attention of the committee was called to recent newspaper articles about the Maple Valley Chamber of Commerce's efforts to obtain support for a bank at Maple Valley. Mr. Abersfeller appears to be in close touch with this matter and will keep us informed. Currently, it does not seem that a branch in this location could be justified.

309 (21)

McCleary State Bank:

The committee reviewed this location, it having been reported that the bank was in difficulties and that the State Banking Department had suggested its sale. The community is supported by only one industry and little interest was shown in the location.

Bellevue-Redmond Branch:

After a discussion of the relative merits of the Crossroads development and the future Overlake Shopping Center to be developed by the Bon Marche, the committee encourage the further study of a location on the Bellevue-Redmond Road.

Columbia Center:

The committee strongly favors a branch at Columbia Center and Mr. Stowell will pursue with Mr. Allison and Mr. Sherwood the manner in which the location will be established.

Andrew Price, Jr., Chairman

309 (22)

GX K-4

INTER-OFFICE CORRESPONDENCE

FROM Head Office BRANCH

SUBJECT

DATE February 16, 1967

THE NATIONAL BANK OF COMMERCE OF SEATTLE

TO Mr. Andrew Price, Jr.
Chairman of the Board

In response to your request for suggested names to head a unit bank in the Kennewick-Richland area, I believe the following should be given consideration:

Wilbur H. McGuire, Vice President

As you know, Mr. McGuire retires November 30, 1967.. As former manager of the Yakima Branch he is eminently suited to the assignment. I believe we all know his qualifications.

Walter J. Funk, Retired Vice President

The greater part of Mr. Funk's experience has been in the Yakima valley. At one time he was senior officer at the Wapato branch. In a recent conversation with him prior to retirement, he indicated that he was anxious to keep busy and did not plan to remain idle after retirement. I believe he would be receptive to this assignment.

Joseph C. Pratt, Jr., Assistant Manager

Mr. Pratt has been considered as manager material for some time. His basic background is in agricultural credits. He originally started with the bank at Kennewick and grew up in the area. He is young, capable, aggressive, and ambitious.

Mr. Lyle B. Beavers, Vice President and Manager, Kennewick Branch

Mr. Beavers is now 61 years of age and in good health. If some arrangement could be made for continuance of his pension and other fringe benefits until his normal retirement date, this assignment might be attractive to him since he could possibly continue beyond retirement age. He is also a capable executive and well known in the area. If Mr. Beavers were to be considered, Mr. Pratt, Assistant Manager, Clarkston Branch, could replace him as Manager of the Kennewick Branch.

Sincerely,

R. A. Macdonald
Senior Vice President

GX K-5

INTER-OFFICE CORRESPONDENCE

FROM Kennewick BRANCH

SUBJECT

THE NATIONAL BANK OF COMMERCE OF SEATTLE

DATE March 29, 1967

RECEIVED
MAR 30 1967

TO Mr. Andrew Price, Jr.
Chairman of the Board
HEAD OFFICE

Dear Andy:

During our discussion yesterday, you asked that I submit my recommendation for the person to be the number one man on a team of not less than five to make application for permission to organize a unit bank.

Enclosed are information sheets on Mr. Gilbert J. Ackerman and Mr. K. T. Campbell. I am confident that either one of these gentlemen would do a very good job, if they would accept, and I would propose that we first contact Mr. Ackerman. He is a good businessman and I believe would have sufficient time to devote to the project. He bears a very good reputation and has a wide circle of important friends. I have knowledge that at one time he owned stock in the Marine Bancorporation and his wife did also, but in my discussion with Mr. Moen yesterday, that should not cause any problem.

Mr. Campbell has time and ambition and he has been very successful in organizing new businesses and selling them. He also is well-regarded as a keen and successful businessman and has a wide circle of important friends.

There are several other people that I am sure would be suitable, but we must decide on only one, which is the reason I am submitting these two names. Possibly, neither one of them would show sufficient interest, but if you wish me to feel them out, please give me your preference of the first one to contact. I should think it would be advisable to first find the number one man and then consult with him on the remainder of the original five or more to submit the application. Mr. Moen stated that five would be sufficient, but if we wanted more, there would be no objection.

During my discussion with Mr. Moen yesterday, he stated that if and when permission is granted, someone is to be named as agent. He intimated that it could be handled through his office, but during our discussion we were talking about an attorney from this area. I assume there is no particular need to decide on an agent at this time, but I wonder if you feel it

should be handled out of Seattle, or if we should decide on someone locally.

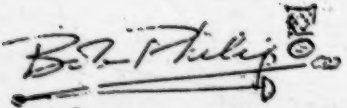
Mr. Hoen showed me various forms, but we did not go over them in detail. They had to do only with the procedure in applying for a permit for organization. After thinking about them, I began wondering about some points that possibly I should have clarified. I am not sure as to whether the number one man on the organization application should also be named as agent, or whether that is done later and an attorney would be the logical one to name as agent. I assume that the organizer will have sufficient duties to perform that the matter of compensation to him might be something to resolve and also, the compensation of the agent. Until a formal charter is granted and capital stock sold, there would have to be some means of providing for expenses. As I recall, the application fee for a permit to proceed is $1500.

Dick Pearson is the only associate of mine that has any knowledge of this, so if I should not be available, you might contact him and he will have access to my file on this matter.

Sincerely,

L. B. Beavers
Vice President and Manager

LBB:CF



Sabotaged Farwell will pass DIR.
Mathusen, and if town
back first of week
may not have problem as
Director
Dennis -
Long -
Horrobin -
Cochran = can't keep warmth out
Neumann = better
Coen. Ruffell will go + as
Glenn + Bill for 50 M each

Peri bank in mine area
branch into an incorp.
town in same county

Phil. p conversation

Have understanding re price — double investment — clean + no hard feelings

Smith good

Discussed Sherwood + he felt he would be reluctant because of Dan & past efforts, but Clyde might and Hap. die also.

Dr. Huffer

GX K-7-a

NATIONAL BANK OF COMMERCE OF SEATTLE

PY

Head Office

Columbia Center - Kennewick

June 2, 1967

Mr. A. A. Erickson
Vice President - Operations
Fifth Floor

Attached is a copy of a letter which Mr. Marvin E. Boys, Vice President of Realbon Corporation, has written to Mr. Dean W. Loney concerning the leasing program at Columbia Center. I would appreciate your being prepared to discuss the requirements the proposed Columbia Center National Bank might have for space in the Center.

I believe the proposed bank may be able to locate in temporary quarters on the site of the Shopping Center at no lease cost, or minimum cost, if it wishes to establish a temporary building. It seems to me the developers of the bank would be well advised to negotiate for a remote drive-up facility in connection with the permanent quarters for the bank which Mr. Boys felt should be on the Shopping Center Mall. I will suggest to Mr. Loney that he get in touch with you in the near future.

Andrew Price, Jr.
Chairman

APjws

Enclosures

GX K-7-b

ALLIED STORES CORPORATION
401 FIFTH AVENUE
NEW YORK

RECEIVED
JUN 2 19

P. O. Box 2232
Seattle, Washington 98111

June 1, 1967

Mr. Andrew Price
Chairman of the Board
National Bank of Commerce
P. O. Box 3966
Seattle, Washington 98124

Dear Mr. Price:

I am enclosing a copy of a letter for distribution within your organization as discussed on the phone.

Very truly yours,

REALBON CORPORATION

M. E. Boys
Vice President

MEB:sj
cc - Mr. Rex Allison

GX K-7-c

ALLIED STORES CORPORATION
401 FIFTH AVENUE
NEW YORK

P. O. Box 2232
Seattle, Washington 98111

June 1, 1967

Mr. Dean W. Looney
Looney, Westland and Koontz
300 Kennewick Avenue
Kennewick, Washington 99336

Re: Columbia Center

Dear Mr. Looney:

Our leasing program is now under way on Columbia Center in Kennewick. We are presently holding space for the new national bank subject to finalizing negotiations for required space and location in the Center.

I suggest we meet with your people as soon as possible to finalize your requirements.

Very truly yours,

REALBON CORPORATION

M. E. Boys
Vice President

MEB:sj
cc - Mr. Rex Allison

MA4-1234

GX K-8

LONEY, WESTLAND, KOONTZ & RAEKES
ATTORNEYS AT LAW
P. O. BOX 1288 6125
300 WEST KENNEWICK AVENUE
KENNEWICK, WASHINGTON 99336

DEAN W. LONEY
JOHN A. WESTLAND
JAMES H. KOONTZ
PHILIP M. RAEKES

TELEPHONE
582-541

June 8, 1967

Mr. Robert Buck
National Bank of Commerce
P. O. Box 3966
Seattle, Washington

Dear Bob:

We are enclosing a notice that is being published in the paper, as required by the Regional Administrator.

We are also enclosing a copy of Mr. Leaf's letter of May 29. Please let me know as soon as possible when the economic study has been completed.

Yours very truly,

LONEY, WESTLAND, KOONTZ & RAEKES

By

DWL:lmo

Encl

GX K-9

June 22, 1967

. Kenneth W. Leaf
gional Administrator of National Banks
irteenth National Bank Region
3 S. W. Alder Street, Room 601
rtland, Oregon 97205

ar Mr. Leaf:

bject: Columbia Center National Bank, Benton County, Washington.

During the preliminary discussion held in connection ith our application to form the Columbia Center National Bank, was the opinion of the sponsors that the bank should be ened as soon as it could be established in temporary quarters.

Since those preliminary discussions, we have further ecked the cost of such an early opening against the potential come that might be developed by the bank in those temporary arters. As you know, the Don Marche expects to open in July, 969 in the Columbia Center Shopping Center. Presumably, the roposed bank could be in operation for at least a year before was able to move into permanent quarters on the Shopping enter Mall, but during this year, there would be no other com- ercial activity on the Shopping Center site.

The sponsors would be willing to operate during this eriod, even though operations would be conducted at a loss, in rder to preserve their position in this matter. However, we ould request your consideration of granting the charter subject o a later opening to permit banking operations to commence upon ompletion of the bank's permanent quarters in the Center. In o event would the opening be later than the formal opening of he Center to the public in July of 1969.

Sincerely yours,

Dean W. Loney
Agent for Organizers
Columbia Center National Bank

LLive

GX K-10

LONEY, WESTLAND & RAEKES
ATTORNEYS AT LAW
P. O. BOX 0139
500 WEST KENNEWICK AVENUE
KENNEWICK, WASHINGTON 99336

DEAN W. LONEY
JOHN A. WESTLAND
PHILIP M. RAEKES

AREA CODE 509
TELEPHONE 582-3636

RECEIVED
JUN 28 1967

June 26, 1967

COPY

Mr. Kenneth W. Leaf
Regional Administrator of National Banks
813 Southwest Alder Street, Room 601
Portland, Oregon 97205

Dear Mr. Leaf:

We are pleased to enclose three copies of a summary of information requested by your office in support of an application for the national bank in the Columbia Center Shopping Center.

We will be pleased to furnish any additional information you might desire.

Yours very truly,

LONEY, WESTLAND & RAEKES

By

DWL:lmo
Encl

bc: Robert Buck

GX K-11-a

LONEY, WESTLAND & RAEKES
ATTORNEYS AT LAW
P. O. BOX 6188
300 WEST KENNEWICK AVENUE
KENNEWICK, WASHINGTON 99336

AREA CODE 509
TELEPHONE 582-7151

July 11, 1967

Mr. Robert Buck
National Bank of Commerce
P. O. Box 3966
Seattle, Washington

Re: Columbia Center National Bank

Dear Bob:

Enclosed is a request from Leonard Davis for additional information. He has asked that we try to give him this material by Friday. He is required to send in his report to the comptroller's office.

The economist in Portland has questioned the use of four per cent on time deposits, and the amount of funds that the bank might expect to receive in the ordinary savings accounts. They are also concerned about the amount of income shown from service charges on loans.

Would you mind reviewing this, and perhaps you could call me and give me this information to pass on to him.

Kind regards.

Yours very truly,

LONEY, WESTLAND & RAEKES

By

DWL:lo
Encl.

GX K-11-b

Comptroller of the Currency

TREASURY DEPARTMENT

WASHINGTON 25, D.C.

NATIONAL BANK EXAMINER

July 11, 1967

Mr. Dean Loney:

Subject: Columbia Center National Bank

A more detailed projection from the bank would be very helpful. Would you please provide the following detail for each of the first three years of operations (at the end of the year):

Demand deposits:

IPC	Number of accounts	plus dollar a
U.S. Government deposits		dollar a
Other public funds		dollar a

Time deposits:

IPC	Number of accounts	plus dollar a
U.S. Government deposits		dollar a
Other public funds		dollar a
Certificates of Deposit	Number	plus dollar a

Loans:

Commercial loans and discounts	Number	plus dollar a
Mortgages	Number	plus dollar a
Consumer instalment	Number	plus dollar a

Earnings:

Commercial loans	Average interest plus annual earnings
Mortgages	Average interest plus annual earnings
Consumer instalment	Avera ge inteest plus annual earnings
Interest and dividends on securities:	
U.S. Government	Average interest plus annual earnings
Other	Average interest plus annual earnings
Service charges:	
Deposit accounts	Average earnings per account plus annual earnings
Instalment loans	Average earnings per account plus annual earnings
Real estate loans	Average earnings per account plus annual earnings

Expenses:

Number of employes (with title) plus total salary in each category.
Interest on time & savings deposits: Rate paid and total interest expense.
Interest on CDs: Rate paid and total interest expense.

Leonard L. Davis
National Bank Examiner.

NATIONAL BANK OF COMMERCE OF SEATTLE GX K-12

OPY

July 13, 1967

Mr. Dean W. Loney
Loney, Westland & Raskas
P. O. Box 6125
Kennewick, Washington 99336

Dear Dean:

Enclosed is a schedule breaking down the projections in the manner of the examiner's letter to you. Rather than anticipate all his questions and try to cover them, we wondered whether it would not be wise frankly to suggest that you have had to rely heavily upon the National Bank of Commerce's experience in establishing branches and suggest that the examiner discuss directly with us any questions he may have as to how we arrived at particular figures. Mr. Ben Lynch, our Vice President and Controller, has gone over these figures with me this morning and is willing to discuss them either with you or with the examiner whenever you would wish to do so.

The examiner apparently asked particularly, however, about the 4% interest rate on savings. These projections have assumed there would be only regular savings accounts during these first formative years because of the lack of adequate income from loans to permit competition for certificates of deposit. It may be that this is not sufficiently realistic, but under the circumstances, it would appear wise to hold down the volume of higher rate savings. If this were done, the overall increase in cost on those few taken would not materially affect the projections.

The examiner also questioned the service charges, particularly, on instalment credit loans. You will note that the dollar amount of individual instalment credit loans is low on the assumption that you will have no dealers and large auto and heavy appliance loans in the first years. With the new state law permitting a 4% service charge, in addition to interest on these smaller loans, the service charge income will be disproportionately large compared to the interest returned on these same loans. As the bank acquires dealers and larger instalment credits, the proportion of service charge income will decrease.

COPY

NATIONAL BANK OF COMMERCE OF SEATTLE

Mr. Dean W. Loney - 2 July 13, 1967

Undoubtedly, he will have other questions as to individual items, but these can be handled either by direct discussion with Mr. Lynch or by referring to us through you as you prefer. If you have any questions upon receipt of this letter, please call me before you pass the schedule along to the examiner.

Cordially,

Robert F. Buck
Senior Vice President

RFB:vw

Enclosure 3

COLUMBIA CENTER NATIONAL BANK

Additional Details to Support Projected
Balance Sheets and Income and Expense Statements

	1st Year	2nd Year	3rd Year
DEMAND DEPOSITS	Dollar Amount		
IPC	$ 680	$ 980	$1 275
U.S. Government	-	-	-
Other Public	100	100	100
	$ 780	$1 080	$1 375
	Number of Accounts		
IPC	618	891	1 159
U.S. Government	-	-	-
Other Public	3	3	3
	621	894	1 162
TIME DEPOSITS	Dollar Amount		
IPC	$ 420	$ 720	$1 125
U.S. Government	-	-	-
Other Public	-	-	-
C.D.'s	-	-	-
	$ 420	$ 720	$1 125
	Number of Accounts		
IPC	280	480	750
LOANS	Dollar Amount		
Commercial	$ 150	$ 250	$ 400
Consumer Instalment	100	200	300
Mortgages	150	250	350
	$ 400	$ 700	$1 050
	Number of Accounts		
Commercial	75	125	200
Consumer Instalment	450	900	1 350
Mortgages	10	17	23

COLUMBIA CENTER NATIONAL BANK

Additional Details to Support Projected
Balance Sheets and Income and Expense Statements
(continued)

	1st Year	2nd Year	3rd Year	
EARNINGS	Annual Earnings			Rate
Commercial Loans	$ 5 600	$15 000	$24 400	7.5%
Consumer Instalment	4 500	13 500	22 500	9.0
Mortgages	4 900	13 000	19 500	6.5
U.S. Securities	895	1 105	1 383	4.25 1st yr 4.50 2nd & 3rd
Other Investments	5	5	5	4.00
SERVICE CHARGES	Annual Earnings - Gross			
Deposit Account	$ 2 100	$ 4 900	$ 6 500	
Consumer Instalment	4 000	12 000	20 000	
Mortgages	800	2 000	3 000	
	Annual Earnings - Per Account			
Deposit Account	$ 6.77	$ 6.48	$ 6.16	
Consumer Instalment	8.88	13.33	14.81	
Mortgages	80.00	117.64	130.43	
INTEREST ON TIME & SAVINGS	4%	4%	4%	
EMPLOYEES	Salaries			
Vice President & Manager	$14 400	$15 000	$15 600	
Cashier	9 000	9 600	10 200	
Assistant Cashier	6 600	7 200	7 800	
Total Officers	$30 000	$31 800	$33 600	
Employees (4)	$19 200			
(5)		$22 200		
(6)			$25 200	
Total Salaries	$49 200	$54 000	$58 800	

GX K-13

McKernan Hardware & Implement Co.

J. A. MALONE, MANAGER

TELEPHONE 843-1393

POMEROY, WASHINGTON 99347

7/24/67

RECEIVED

JUL 26 1967

Mr. Andrew Price Jr.
1 National Bank of Commerce
Seattle, Washington

Dear Andy:

In line with our conversation of some time ago, I am enclosing a list of names of four local men who I think would be interested in the deal you mentioned to me the last time you were in Pomeroy. I have shown a little information on each of these men and if there is any more information you would like to have on them, please let me know. I discussed this deal a little bit with Bert Richardson, on a confidential basis, but have not mentioned it to anyone else.

I enjoyed my visit very much with you the last time you were in Pomeroy and hope to see you again soon either in Pomeroy or Seattle.

Best wishes,

John Malone

Bert Richardson - Pomeroy, Washington - Owner of Richardson Funeral Home - Estimated net worth of $150,000.00 - Age - approx. 58 years.

Lester McKeirnan - Pomeroy, Washington - Farmer - Estimated net worth of $250,000.00. Age approx. 63 years - Was one of main stockholders in Bank of Pomeroy.

Randall Travis - Pomeroy, Washington - Farmer - Estimated net worth of $200,000.00. Age - Approx. 50 years.

Bill Cardwell - Pomeroy, Washington - Owner of Cardwell's Dept. Store - Estimated net worth of $250,000.00. Age - approx. 52. He had some stock in Bank of Pomeroy and his Father, H. H. Cardwell, was the largest stockholder.

GX K-14

NATIONAL BANK OF COMMERCE OF SEATTLE

July 26, 1967

PERSONAL

Mr. John A. Malone, Manager
McKeirnan Hardware & Implement Company
Pomeroy, Washington 99347

Dear Mr. Malone:

Thank you for the information in your letter to Andrew Price, Jr. of the 24th. In his absence on vacation, this has come to my attention.

Plans are proceeding on schedule. If there is anything required before Andrew's return, I shall be in touch with you.

Sincerely yours,

R. F. Buck
Senior Vice President

RFB:ws

GX K-15

THE ADMINISTRATOR OF NATIONAL BANKS
WASHINGTON

September 6, 1967

Mr. Dean W. Loney
300 West Kennewick Avenue
Kennewick, Washington

Dear Mr. Loney:

This will confirm our telegram of today's date regarding the application submitted by you and your associates to organize a National Bank at Kennewick, Washington.

On the basis of information developed by our Field Investigation, together with all other pertinent data relating to the proposal, we have concluded that the factors in support of the establishment of a new National Bank in this area are not favorable.

We regret to inform you that the application has been disapproved.

Very truly yours,

Thomas G. DeShazo
Deputy Comptroller of the Currency

10-13-67 Photocopy to Mr. R. A. Moen

GX K-16

LONEY, WESTLAND & RAEKES
ATTORNEYS AT LAW
P. O. BOX 6128
300 WEST KENNEWICK AVENUE
KENNEWICK, WASHINGTON 99336

DEAN W. LONEY
JOHN A. WESTLAND
PHILIP M. RAEKES

AREA CODE 509
TELEPHONE 582-2101

September 19, 1967

Mr. Robert Buck
National Bank of Commerce
P. O. Box 3966
Seattle, Washington

Re: Columbia Center National Bank

Dear Bob:

In response to your telephone request of late yesterday, we enclose two copies of the application to organize, for your meeting with Mr. Leaf on Saturday.

Yours very truly,

LONEY, WESTLAND & RAEKES

By

DWL:lo

Enclosure

GX K-17

LONEY, WESTLAND & RAEKES
ATTORNEYS AT LAW
P. O. BOX 6128
300 WEST KENNEWICK AVENUE
KENNEWICK, WASHINGTON 99336

DEAN W. LONEY
JOHN A. WESTLAND
PHILIP H. RAEKES

AREA CODE 509
TELEPHONE 582-0[illegible]

September 21, 1967

CERTIFIED MAIL

Mr. Robert F. Buck
Senior Vice President
National Bank of Commerce
P. O. Box 3966
Seattle, Washington 98124

Re: Columbia Center National Bank

Dear Mr. Buck:

We enclose the bound Application for Permission to Establish, a copy of the summary of information and the Columbia City Shopping Center market analysis. The copy of the "additional details" is included for good measure and best wishes.

Yours very truly,

LONEY, WESTLAND & RAEKES

By

lo
Enclosure

NATIONAL BANK OF COMMERCE OF SEATTLE

COPY

September 21, 1967

Mr. Marvin E. Boys
Vice President
Realbon
P. O. Box 2232
Seattle, Washington 98111

Dear Marvin:

Enclosed is a copy of a suggested letter which would be helpful to Mr. Dean W. Loney in Kennewick. It is almost a duplicate of a letter written by the developers of another shopping center in which we have an office.

Whatever you choose to write along these lines should help Mr. Loney when he resubmits the application for the bank.

Sincerely yours,

Andrew Price, Jr.
Chairman

AP:vs

Enclosure 1

COPY

DRAFT

NATIONAL BANK OF COMMERCE OF SEATTLE

Date

Mr. Dean W. Loney, Agent
Columbia Center National Bank
Loney, Westland & Raekes
P. O. Box 6125
Kennewick, Washington 99336

Dear Mr. Loney:

On several occasions interest has been expressed by sponsors of the proposed Columbia Center National Bank in space on the mall in the shopping center.

As you know Real-Bon owns the land which will comprise this shopping center except for that property in the proposed center which has already been purchased by the J. C. Penney Company.

After a recent purchase, there are 2,150 feet of frontage on Colorado Street in this center. It is our hope that the Columbia Center National Bank will establish its office on the mall in the center. Other banks have expressed an interest in the center, but it is our intention to make space available only to one bank.

I am confident that a satisfactory lease can be arranged when the proper time comes between the proposed Columbia Center National Bank and Real-Bon. I fully understand, however, that this cannot be done until permission for the establishment of the bank has been received from the Comptroller of the Currency.

This invitation to your proposed bank is the only one that has been issued to a bank to enter the project, and I wish to reaffirm my hope that the establishment of your bank in the center will be approved by the Comptroller of the Currency.

Sincerely yours,

REALBON

/s/_____

GX K-19

ALLIED STORES CORPORATION
401 FIFTH AVENUE
NEW YORK

P. O. Box 2232
Seattle, Washington 98111
Mutual 2-1604

September 22, 1967

Mr. Dean W. Loney, Agent
Columbia Center National Bank
Loney, Westland & Rackes
P. O. Box 6125
Kennewick, Washington 99336

Dear Mr. Loney:

On several occasions you have made inquiries about space in our Columbia Center project at Kennewick for the proposed Columbia Center National Bank, with which you are affiliated.

As you know, Realbon owns approximately 80 acres of which we propose to develop 50 acres immediately for a shopping center. This center is in the planning stages at this time and the eventual building program will include a J. C. Penney Company store, The Bon Marche and approximately 60 other retail establishments. Consequently, there will be space for one commercial type bank.

It is our hope that Columbia Center National Bank will be able to establish its office in this center. We have had inquiries from other banks, but due to the fact you have spoken to us first, it is our intention to make space available to only one facility. On that basis you will have the first opportunity.

We presently are setting up our leasing program and very shortly we will be able to draw up firm leases for space in this center. At that time, we will most certainly contact you. I fully understand, however, the lease cannot be drawn up until permission for the establishment of the bank has been received from the Comptroller of the Currency. On the basis of our previous meetings, I will hold space open for you until such time as your bank will be approved by the Comptroller of the Currency, which I am hopeful you will be able to secure.

Very truly yours,

REALBON CORPORATION

M. E. Boys
Vice President

MEB:sj

GX K-20

ALLIED STORES CORPORATION
401 FIFTH AVENUE
NEW YORK

RECEIVED
OCT 10

P. O. Box 2232
Seattle, Washington 98111
Mutual 2-1604

October 9, 1967

Mr. Andrew Price, Jr.
Chairman of the Board
National Bank of Commerce
P. O. Box 3966
Seattle, Washington 98124

Dear Mr. Price:

I write this letter to you as clarification of the intent in my letter dated September 22, 1967 to Mr. Dean W. Loney, agent for Columbia Center National Bank of Kennewick. The above mentioned letter was sent by me, representing Realbon Corporation, as an aid in helping Columbia Center National Bank secure a charter for operating a facility in the Kennewick-Pasco area and specifically, in Columbia Center Shopping Center should a charter be granted.

I wish it clearly understood that Columbia Center does not, by virtue of this letter, grant any and all restrictive rights to Columbia Center National Bank for a facility in this shopping center. Certainly we will give you first ~~opportunity based on satisfactory~~ negotiations between both parties. On a basis of time, we must establish a date for Columbia Center National Bank to receive its charter. Otherwise, it will be impossible for us to hold a space exclusively for your bank should the time limit drag on too long. It is my best estimate that we can hold this space available to you for 90 to 120 days.

I thought it best that I write this letter to you as clarification of my letter of September 22 so if something were to happen to me, the purpose of my letter would be clearly understood. I am sure you and I fully understand the reasoning behind this letter.

Sincerely,

REALBON CORPORATION

M. E. Boys
Vice President

MEB:sj
cc - Mr. Rex Allison w/enc.

10-13-67 Photocopy to Mr. R. A. Moen
10-24-67 Photocopy to Mr. Dean W. Loney

NATIONAL BANK OF COMMERCE OF SEATTLE GX K-21

COPY

October 10, 1967

Mr. Marvin E. Boys, Vice President
Realbon Corporation
Allied Stores Corporation
P. O. Box 2232
Seattle, Washington 98111

Dear Mr. Boys:

Thank you for your letter of October 9, 1967. I understand its contents and by this response simply wish to acknowledge that it has been received.

Within the period of ninety to 120 days that you specify I believe it will be possible for the agents for the Columbia Center National Bank to conclude their work with the Comptroller of the Currency.

Sincerely yours,

Andrew Price, Jr.
Chairman

APiws

10-13-67 Photocopy to Mr. R. A. Moen

GX K-22

COPY

NATIONAL BANK OF COMMERCE OF SEATTLE

October 24, 1967

Mr. Dean W. Loney, Agent
Columbia Center National Bank
Loney, Westland & Raskas
P. O. Box 6125
Kennewick, Washington 99336

Dear Dean:

When we talked on Friday I thought Mr. Boys had sent the original of his September 22, 1967 letter to you a copy of which I have. I was mistaken. The letter is coming to you now under separate cover.

Mr. Boys sent me a letter dated October 9, 1967 clarifying the September 22 letter and elaborating on that earlier letter. A copy of the October 9 letter is enclosed for your files.

Mr. Hoen is working at this end on material you will need when you resubmit the application, and I hope things are working out for you with Mr. Fields and the economic report.

In a conversation Saturday with Mr. Leaf, he suggested that it would be quite in order for you to write to him indicating you were preparing additional information so that the application for the bank could be resubmitted. If you write such a letter, you may wish to indicate that you have now received the invitation from the developers of the Center.

Sincerely yours,

aph.

Andrew Price, Jr.
Chairman

cc: Mr. M. E. Boys, Vice President
Kealbon Corporation

GX E-33

LONEY, WESTLAND & RAEKES
ATTORNEYS AT LAW
P. O. BOX 0138
000 WEST KENNEWICK AVENUE
KENNEWICK, WASHINGTON 000

DEAN W. LONEY
JOHN A. WESTLAND
PHILIP M. RAEKES

AREA CODE 000
TELEPHONE 000-0101

October 25, 1967

Allied Stores Corporation
PO Box 2232
Seattle, Wasington 98111

Attention: M. E. Boys, Vice President

Dear Mr. Boys:

Thank you for your letter of September 22, 1967.

We certainly appreciate your courtesy in offering to negotiate the space in the center. We are doing everything possible to attempt to secure permission from the Comptroller's office for the establishment of a bank.

Again, we wish to express our appreciation.

Very truly yours,

LONEY, WESTLAND & RAEKES

DWL/bdc

By:

GX K-24

DEAN W. LONEY
JOHN A. WESTLAND
PHILIP M. RAEKES

LONEY, WESTLAND & RAEKES
ATTORNEYS AT LAW
P. O. BOX 8122
900 WEST KENNEWICK AVENUE
KENNEWICK, WASHINGTON 99336

AREA CODE 509
TELEPHONE 582-1571

RECEIVED
OCT 26 1967

October 25, 1967

Kenneth Leaf
Regional Administrator of National Banks
813 Southwest Alder Street, Room 601
Portland, Oregon 97205

Dear Mr. Leaf:

We wish to advise you that we are preparing additional information in connection with our intention to re-submit an application for the formation of a national bank.

We are also in receipt of an invitation from the owners of the Columbia Shopping Center offering to make space available for a bank in the event that permission should be received from the Comptroller of Currency.

It is our hope that the additional information which we submit will be of assistance in the reconsideration of this matter.

Yours respectfully,

LONEY, WESTLAND & RAEKES

DWL/bdc

By:

COPY

GX K-25

NATIONAL BANK OF COMMERCE OF SEATTLE

COPY

October 30, 1967

Mr. R. A. Hoen
McCord, Hoen, Sayre, Hall & Rolfe
1309 Hoge Building
Seattle, Washington 98104

Dear Mr. Hoen:

In accordance with our conversation on Friday, October 27, 1967, I suggest that the following directors of the National Bank of Commerce, who are not also officers or directors of Marine Bancorporation, be considered as 1-1/3% owners of the proposed Columbia Center National Bank:

Clarence H. Ambrose	1-1/3%
Charles J. Broughton	1-1/3%
Winston D. Brown	1-1/3%
Edward S. Campbell	1-1/3%
Dean H. Eastman	1-1/3%
Richard E. Fuller	1-1/3%
Arne T. Lervick	1-1/3%
Dr. A. H. Meadowcroft	1-1/3%
Bernard B. Polly	1-1/3%
W. J. Pennington	1-1/3%
Russell S. Waltz	1-1/3%
Bagley Wright	1-1/3%
	16%

I will be in Seattle Thursday this week and would appreciate going over this proposal with you at that time.

Sincerely yours,

A. P. Jr.

Andrew Price, Jr.
Chairman

APjr:vs

bc: Mr. Maxwell Carlson
President

Pend 152,080

Jim Walsh - no commitment but we could talk to him if we wished.

for say 11,250

36 2/3% = 163,330

Bob - This would put over 1/3 in the hands of friends of NBofC

- Mr. McGuire will be a director and Mr. Mellon from Pennroy might be willing to serve, you might want to talk to Jack Cole about him

- If there were to be 30 stockholders, above program would have 8 of them living outside immediate Kennebec area.

- I think we should seek to have at least 35 [illegible] 31% [illegible]

GX K-26-b

John Malone – Lowery (6 sh) $ 15,120

(One other man – Lowery (6 sh) ✓ 15,120)

Charles Broughton – Dayton (125 sh) 22,500

Riley Hemphill – Seattle (1250 sh) ✓ 22,500

W. H. McClain – Seattle (840 sh) ✓ 15,120

R. J. Stowell – Seattle (110 sh) ✓ 1.200

Marvin E. Boyd – Seattle (~~75~~ 50 sh) ✓ 11,250

~~Rex Gibson – Phoenix (mem 5/5/67)~~ 0

Philip S. Hemphill – Seattle (625 sh) 11,250

~~6.6~~

(26.1% of $50,000) 120,540

Brian Bonisteel – will come in, but believes will prefer to stay out. 2,160

122,080

Mr. Malone said he will [illegible] Lowery [illegible] men for $15,000 [illegible]

1) Answers premature comment

2) Need for another bank not sufficiently explored. Even though 10 other banks in area they are not convenient.

3) Clarify ownership + management. Statement 9 can have expression of contract purchase price. Statement ends - - - - except as follows: "There is a close relationship with the NBDC which has expressed an interest in purchasing the bank." Marine's interest upto 10% or 15% directly or through shareholders is OK as expressed in statement 7.

4) Lack of economic information

GX K-26-d

NEEDED

1. Square feet of Northgate when started
   Dot of expansion & increased size.
2. What leaseholds are there other than
   Penny's + box? (Are Ernst +
   Pay'N Save committed? - How much
   space?)
3. Acura Village - Space in Center
   Vacant space around it. How Long
   to fill in?

Mail material to Norm - Will be
complete 2 weeks from Tuesday.

1/1 Label CHO for A-V info

NATIONAL BANK OF COMMERCE OF SEATTLE GX K-24

COPY

November 9, 1967

Mr. Dean W. Loney, Agent
Columbia Center National Bank
Loney, Westland & Raskas
P. O. Box 6125
Kennewick, Washington 99336

Dear Dean:

Enclosed is a copy of a letter from Mr. Leaf regarding the application of the Kennewick National Bank for permission to establish a branch in the vicinity of the Columbia Center Shopping Center.

While it is disappointing to receive this notice, I do feel that for some of the same reasons your application was turned down, this one may also be turned down. Furthermore, these people do not propose to be in the Center, and if the Columbia Center National Bank is not established because the Comptroller approves a branch of the Kennewick National Bank adjacent to the Center, a state bank probably will be established in the Center.

I am talking again with Mr. Moen this afternoon and will be in touch with you soon.

Sincerely yours,

apl

Andrew Price, Jr.
Chairman

APjvs

Enclosure

GX K-27-b

THE REGIONAL ADMINISTRATOR OF NATIONAL BANKS

United States Treasury

THIRTEENTH NATIONAL BANK REGION
915 SOUTHWEST ALDER STREET, ROOM 501
PORTLAND, OREGON 97205

October 30, 1967

RECEIVED
NOV 1 1967

Mr. Maxwell Carlson, President
The National Bank of Commerce of Seattle
Post Office Box 3966
Seattle, Washington 98124

Dear Mr. Carlson:

We are today in receipt of an application from Kennewick National Bank for permission to establish a branch in the vicinity of Columbia Center Shopping Center, Colorado Street and Quinault Avenue, in Kennewick, Washington.

During the course of the field investigation, an examiner will call you for an appointment to discuss this matter if you so desire. The examiner will also discuss this with the manager of your branch near the proposed site. Any comments you wish to make in writing for the Comptroller's consideration should be sent to us in duplicate. If you plan to comment, we shall appreciate hearing from you within ten days. Also, please feel free to visit this office to discuss the application.

Very truly yours,

Kenneth W. Leaf
KENNETH W. LEAF
Regional Administrator of National Banks

c/y to A.P.G. Jr.
11/2/67 no enclosure

Alaska Idaho Montana Oregon Washington

GX K-28

ALLIED STORES CORPORATION
401 FIFTH AVENUE
NEW YORK

P. O. Box 2232
Seattle, Washington 98111
Mutual 2-1604

December 1, 1967

Mr. Dean W. Loney
Columbia Center National Bank
Loney, Westland & Raekes
P. O. Box 6125
Kennewick, Washington 99336

6C

Dear Mr. Loney:

I haven't had any recent information from you about your application for a charter for Columbia Center National Bank in Kennewick. I am hopeful that things are progressing satisfactorily for you, and I presume they are or I would have heard from you before this.

It is necessary that I establish a termination date for our agreement to hold space available in Columbia Center for Columbia Center National Bank. We feel we can hold the space available for you for 90 to 120 days beginning September 22, 1967. I am, therefore, establishing January 22, 1968 as the termination date for this agreement.

We are presently well along with our brochures, lease forms and other necessary instruments for starting our leasing program. It is important that we determine as early as possible who is going to operate our banking facility. I feel we have given Columbia Center National Bank every opportunity to secure their charter and establish themselves within the time limits I have specified in this agreement. I wish to set a time, and if you are unsuccessful in getting your charter, we can start negotiations with other banks for this space. If we are to have a banking facility in operation at least six months previous to the time the shopping center opens, I feel I cannot delay any longer than January 22, 1968 in finalizing a lease so that whoever is successful will have time to open its doors approximately six months previous to the opening of the shopping center.

I, therefore, wish to notify you that our termination date will be January 22, 1968 for holding this space available.

Again, I wish to state that I am most hopeful that you are successful in securing a charter for this area.

Very truly yours,

REALBON CORPORATION

M. E. Boys
Vice President

MEB:sj

GX K-29-a

LONEY, WESTLAND & RAEKES
ATTORNEYS AT LAW
P. O. BOX 8123
300 WEST KENNEWICK AVENUE
KENNEWICK, WASHINGTON 99336

DEAN W. LONEY
JOHN A. WESTLAND
PHILIP M. RAEKES
JOHN T. ROBSON, JR.

AREA CODE 509
TELEPHONE 582-0341

December 4, 1967

RECEIVED
DEC 5 1967

Andrew Price, Jr.
Chairman
THe National Bank of Commerce
PO Box 3966
Seattle, Washington 98124

Re: Columbia Center National Bank

Dear Andy:

Enclosed find two copies of letter dated December 1, 1967, from Allied Stores Corporation, which letter is self explanatory.

Very truly yours,

LONEY, WESTLAND & RAEKES

By: [signature]

DWL/bdc
encl:

GX K-29-b

ALLIED STORES CORPORATION
401 FIFTH AVENUE
NEW YORK

P. O. Box 2232
Seattle, Washington 98111
Mutual 2-1604

December 1, 1967

60

Mr. Dean W. Loney
Columbia Center National Bank
Loney, Westland & Raekes
P. O. Box 6125
Kennewick, Washington 99336

Dear Mr. Loney:

I haven't had any recent information from you about your application for a charter for Columbia Center National Bank in Kennewick. I am hopeful that things are progressing satisfactorily for you, and I presume they are or I would have heard from you before this.

It is necessary that I establish a termination date for our agreement to hold space available in Columbia Center for Columbia Center National Bank. We feel we can hold the space available for you for 90 to 120 days beginning September 22, 1967. I am, therefore, establishing January 22, 1968 as the termination date for this agreement.

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I, therefore, wish to notify you that our termination date will be January 22, 1968 for holding this space available.

Again, I wish to state that I am most hopeful that you are successful in securing a charter for this area.

Very truly yours,

REALBON CORPORATION

M. E. Boys
Vice President

MEB:sj

NATIONAL BANK OF COMMERCE OF SEATTLE GX K-30-a

COPY

December 4, 1967

Mr. Dean W. Loney
Loney, Westland & Raekes
P. O. Box 6125
Kennewick, Washington 99336

Dear Dean:

Accompanying this note is a suggested draft of a letter to Mr. Leaf for your signature. It, of course, needs rewriting as does the attachment concerning the suggested stockholdings of five stockholders, two of whom could be directors.

I suggest that this letter go promptly to Mr. Leaf, and I would appreciate your sending me a copy of your letter. Please call me if any questions arise in your mind about any portion of the letter.

Very sincerely,

APh.

Andrew Price, Jr.
Chairman

APjvs

Enclosure

COPY

NATIONAL BANK OF COMMERCE OF SEATTLE

GX K-30-b

Dean W. Loney
Loney, Westland & Raekes
P. O. Box 6125
Kennewick, Washington 99336

December 4, 1967

Mr. Kenneth U. Leaf
Regional Administrator of National Banks
Thirteenth National Bank Region
813 S. W. Alder Street, Room 601
Portland, Oregon 97205

Dear Mr. Leaf:

By this letter I wish to resubmit the application to organize a new national bank to be located in the Columbia Center Shopping Center in the city of Kennewick, Washington. The original application, receipt of which you acknowledged by your letter of May 29, 1967, was disapproved by Mr. Thomas C. DeShazo's letter of September 6, 1967 which indicated that "factors in support of the establishment of a new national bank in this area are not favorable." I hope that the additional information now available, much of which strengthens the application substantially, will enable your office to give it favorable consideration.

The "Summary of Information to be Submitted to the Regional Comptroller of the Currency" has now been revised and updated. It will be available to your examiner within two weeks and will be supported by a current economic study prepared for us by Mr. Bertrand B. Field, Director-Business Research and Area Diversification of Douglas-United Nuclear, Inc. in Richland, Washington. As the summary will indicate, we have agreed to pay Mr. Field $1,000.00 for the work he has performed on behalf of the organizers of the bank.

By this letter I wish to advise you also that the organizers have now been assured that Mr. Walter J. Funk, recently retired vice president of the National Bank of Commerce of Seattle, will serve as a stockholder and director of the bank. A financial and biographical report completed by Mr. Funk will be mailed to your office promptly. We feel that his experience in a metropolitan bank, and his earlier experience with banks nearer to Kennewick, will be of great value to us.

The active management of the bank will be the responsibility of Mr. Richard Anderson, now President and Cashier of The First Bank of Cordova, Cordova, Alaska. Mr. Anderson's experience in this bank, which on December 31, 1966 had deposits of $4,237,000 and loans of $2,002,000, and earlier banking experience qualified him, we feel, for the responsibility.

NATIONAL BANK OF COMMERCE OF SEATTLE

Mr. Kenneth W. Leaf - 2 December 4, 1967

Our principal correspondent will be the National Bank of Commerce of Seattle, from which we have every assurance of support. Credit and investment, as well as operations, personnel and auditing counsel, will be provided to us by that bank, two of whose branches now serve the Tri-Cities area.

Several men prominently identified with banking in Washington have indicated their willingness to invest in the new bank. Accompanying this letter is additional information about them. They have orally expressed their desire to purchase the amount of stock shown after their names and we are confident of their sincerity as well as their ability to make these purchases.

As the original application shows the organizers propose that the Columbia Center National Bank be started with a capital of $450,000. The organizers, directors and their interests will not hold more than 40% of the bank's stock. The remainder will be held principally by people resident in the trade area of the bank or with significant business interests within the trade area.

Accompanying this letter is a copy of a letter from Allied Stores Corporation which constitutes an invitation to the organizers of the Columbia Center National Bank to establish the bank in the Center. It is the only such letter the developers intend to write inviting a bank into the Center unless the organizers of the Columbia Center National Bank are unsuccessful in obtaining a charter. The letter indicates that lease negotiations have not been begun with any tenants, but that such negotiations will soon commence. We have been assured that space will be available for the bank.

I look forward to hearing from you at your convenience and to working with your office in whatever manner you suggest.

Sincerely yours,

Dean W. Looey

Enclosures

COPY

NATIONAL BANK OF COMMERCE OF SEATTLE

GX K-38-c

INFORMATION TO ACCOMPANY APPLICATION FOR

COLUMBIA CENTER NATIONAL BANK

Kennewick, Washington

December 4, 1967

The following men have indicated their willingness to purchase stock in the Columbia Center National Bank in the amounts shown:

Mr. Charles J. Broughton $ 22,500.00

Mr. Broughton has been a member of the Board of Directors of the National Bank of Commerce of Seattle since October, 1957. He is a prominent and respected rancher in Dayton, Washington. In addition to his farming operations, he was formerly the president of the Broughton National Bank until its sale to the National Bank of Commerce.

Mr. Glenn Carrington $ 22,500.00

Mr. Carrington has been a member of the Board of Directors of the National Bank of Commerce of Seattle since June, 1963. He is president of Glenn Carrington & Company, formerly a mining machinery company prominent in Seattle and Alaska. He has real estate interests in Richland, Washington, near the site of the proposed bank. His interest would be in the name of Glenn Carrington & Company.

Mr. Walter J. Funk $ 10,000.00

Until his retirement at age 65 on February 1, 1967, Mr. Funk had been associated with the National Bank of Commerce of Seattle for more than twenty-two years. Prior to this time he had been a banker in the Yakima Valley at Yakima and Wapato. When he retired he was vice president in charge of commercial loan administration for the bank's forty-seven offices outside of King County. Mr. Funk has accepted an invitation to be a stockholder of the Columbia Center National Bank.

COPY

NATIONAL BANK OF COMMERCE OF SEATTLE

Stockholders
-2-

Mr. Wylie Hemphill $ 22,500.00

Mr. Hemphill has been a member of the Board of Directors of the National Bank of Commerce of Seattle since January, 1961. He is president of Hemphill Brothers, Inc. in Seattle. For many years he was head of Hemphill Oil Co., a major Seattle fuel oil supplier, until its recent purchase by Union Oil Company. Mr. Hemphill's company mines minerals in several parts of the Northwest and he is well acquainted in the service area of the proposed bank.

Mr. Ralph J. Stowell $ 6,750.00

Mr. Stowell is an executive vice president of the National Bank of Commerce of Seattle and is a member of its Board of Directors. He has been associated with the bank for forty years. He served as manager of two of its large offices prior to the last eighteen years during which time he has had the over-all responsibility for supervision of the bank's entire loan portfolio. He has indicated a willingness to stand for election to the board of directors of Columbia Center National Bank subsequent to his retirement from the National Bank of Commerce in September, 1968. We expect this will be prior to the opening of the bank.

GX K-31

BROUGHTON LAND CO.
DAYTON, WASH.
99328
P. O. Box 27

Managers
C. J. BROUGHTON
J. A. BROUGHTON

RECEIVED
DEC 6 1967

December 5,1967

Mr. Andrew Price Jr.
National Bank of Commerce,
P.O.Box 3966,
Seattle, Wash. 98124

Dear Andrew:

It has occured to me that Mr. Claud Polly might be interested in the proposition we discussed last Thursday. I know that he ~~is~~ has been concerned about investing some funds after the first of the year.

I have not mentioned this matter to him and would not do so unless agreeable with you.

Very truly yours,

Chas

C.J.Broughton.

NATIONAL BANK OF COMMERCE OF SEATTLE

COPY

GX K-32

December 8, 1967

Mr. Charles J. Broughton
Broughton Land Company
P. O. Box 27
Dayton, Washington 99328

Dear Mr. Broughton:

Thank you for your letter of December 5, 1967 concerning the matter about which we talked following the last board meeting. I don't believe funds will be required for the project until, perhaps, as late as the ~~middle of 1968~~. I will ~~keep~~ Mr. Polly's ~~interest in~~ mind.

I know the developers of the project about which we talked are grateful for the interest you have shown in it.

Very sincerely,

Andrew Price, Jr.
Chairman

AP:ws

GX K-33-a

LONEY, WESTLAND & RAEKES
ATTORNEYS AT LAW
P. O. BOX 6125
300 WEST KENNEWICK AVENUE
KENNEWICK, WASHINGTON 99336

DEAN W. LONEY
JOHN A. WESTLAND
PHILIP M. RAEKES
JOHN T. ROBSON, JR.

AREA CODE 509
TELEPHONE 582-2511

December 7, 1967

RECEIVED
DEC 8 1967

Mr. Kenneth W. Leaf
Regional Administrator of National Banks
Thirteenth National Bank Region
813 S. W. Alder Street, Room 601
Portland, Oregon 97205

Dear Mr. Leaf:

By this letter I wish to resubmit the application to organize a new national bank to be located in the Columbia Center Shopping Center in the City of Kennewick, Washington. The original application, receipt of which you acknowledged by your letter of May 29, 1967, was disapproved by Mr. Thomas G. DeShazo's letter of September 6, 1967, which indicated that "factors in support of the establishment of a new national bank in this area are not favorable." I hope that the additional information now available, much of which strengthens the application substantially, will enable your office to give it favorable consideration.

The "Summary of Information to be Submitted to the Regional Comptroller of the Currency" has now been revised and updated. It will be available to your examiner within two weeks and will be supported by a current economic study prepared for us by Mr. Bertrand B. Field, Director-Business Research and Area Diversification of Douglas-United Nuclear, Inc., in Richland, Washington. As the summary will indicate, we have agreed to pay Mr. Field $1000 for the work he has performed on behalf of the organizers of the bank.

By this letter I wish to advise you also that the organizers have now been assured that Mr. Walter J. Funk, recently retired vice president of the National Bank of Commerce of Seattle, will serve as a stockholder and director of the bank. A financial and biographical report completed by Mr. Funk will be mailed to your office promptly. We feel that his experience in a metropolitan bank, and his earlier experience with banks nearer to Kennewick, will be of great value to us.

We anticipate the active management of the bank will be the responsibility of Mr. Richard Anderson, now President and Cashier of The First Bank of Cordova, Cordova, Alaska. Mr. Anderson's experience in this bank, which on December 31, 1966, had deposits of $4,237,000 and loans of $2,002,000, and earlier banking experience qualified him, we feel, for the responsibility.

Our principal correspondent will be the National Bank of Commerce of Seattle, from which we have every assurance of support. Credit and investment, as well as operations, personnel and auditing counsel, will be provided to us by that bank, two of whose branches now serve the Tri-Cities area.

Several men prominently identified with banking in Washington have indicated their willingness to invest in the new bank. Accompanying this letter is additional information about them. They have orally expressed their desire to purchase the amount of stock shown after their names and we are confident of their sincerity as well as their ability to make these purchases.

As the original application shows, the organizers propose that the Columbia Center National Bank be started with a capital of $450,000. The organizers, directors and their interests will not hold more than 40% of the bank's stock. The remainder will be held principally by people resident in the trade area of the bank or with significant business interests within the trade area.

Accompanying this letter is a copy of a letter from Allied Stores Corporation which constitutes an invitation to the organizers of the Columbia Center National Bank to establish the bank in the Center. It is the only such letter the developers intend to write inviting a bank into the Center unless the organizers of the Columbia Center National Bank are unsuccessful in obtaining a charter. The letter indicates that lease negotiations have not been begun with any tenants, but that such negotiations will soon commence. We have been assured that space will be available for the bank.

I look forward to hearing from you at your convenience and to working with your office in whatever manner you suggest.

Yours very truly,

LONEY, WESTLAND & RAEKES

DWL/bdc

By: s/ Dean W. Loney

Enclosures:

GX K-33-b

INFORMATION TO ACCOMPANY APPLICATION FOR

COLUMBIA CENTER NATIONAL BANK

Kennewick, Washington

December 7, 1967

The following men have indicated their willingness to purchase stock in the Columbia Center National Bank in the amounts shown:

Mr. Charles J. Broughton $ 22,500.00

Mr. Broughton has been a member of the Board of Directors of the National Bank of Commerce of Seattle since October, 1957. He is a prominent and respected rancher in Dayton, Washington. In addition to his farming operations, he was formerly the president of the Broughton National Bank until its sale to the National Bank of Commerce.

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Mr. Carrington has been a member of the Board of Directors of the National Bank of Commerce of Seattle since June, 1943. He is president of Glenn Carrington & Company, formerly a mining machinery company prominent in Seattle and Alaska. He has real estate interests in Richland, Washington, near the site of the proposed bank. His interest would be in the name of Glenn Carrington & Company.

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Until his retirement at age 65 on February 1, 1967, Mr. Funk had been associated with the National Bank of Commerce of Seattle for more than twenty-two years. Prior to this time he had been a banker in the Yakima Valley at Yakima and Wapato. When he retired he was vice president in charge of commercial loan administration for the bank's forty-seven offices outside of King County. Mr. Funk has accepted an invitation to be a stockholder and director of the Columbia Center National Bank.

Stockholders - page 2

Mr. Wylie Hemphill $ 22,500.00

Mr. Hemphill has been a member of the Board of Directors of the National Bank of Commerce of Seattle since January, 1961. He is president of Hemphill Brothers, Inc., in Seattle. For many years he was head of Hemphill Oil Co., a major Seattle fuel oil supplier, until its recent purchase by Union Oil Company. Mr. Hemphill's company mines minerals in several parts of the Northwest and he is well acquainted in the service area of the proposed bank.

Mr. Ralph J. Stowell $ 6,750.00

Mr. Stowell is an executive vice president of the National Bank of Commerce of Seattle and is a member of its Board of Directors. He has been associated with the bank for forty years. He served as manager of two of its large offices prior to the last eighteen years, during which time he has had the over-all responsibility for supervision of the bank's entire loan portfolio. He has indicated a willingness to stand for election to the Board of Directors of Columbia Center National Bank subsequent to his retirement from the National Bank of Commerce in September, 1968. We expect this will be prior to the opening of the bank.

GX R-33-C

ALLIED STORES CORPORATION
401 FIFTH AVENUE
NEW YORK

P. O. Box 2232
Seattle, Washington 98111
Mutual 2-1604

September 22, 1967

Mr. Dean W. Loney, Agent
Columbia Center National Bank
Loney, Westland & Raekes
P. O. Box 6125
Kennewick, Washington 99336

Dear Mr. Loney:

On several occasions you have made inquiries about space in our Columbia Center project at Kennewick for the proposed Columbia Center National Bank, with which you are affiliated.

As you know, Realbon owns approximately 80 acres of which we propose to develop 50 acres immediately for a shopping center. This center is in the planning stages at this time and the eventual building program will include a J. C. Penney Company store, The Bon Marche and approximately 60 other retail establishments. Consequently, there will be space for one commercial type bank.

It is our hope that Columbia Center National Bank will be able to establish its office in this center. We have had inquiries from other banks, but due to the fact you have spoken to us first, it is our intention to make space available to only one facility. On that basis you will have the first opportunity.

We presently are setting up our leasing program and very shortly we will be able to draw up firm leases for space in this center. At that time, we will most certainly contact you. I fully understand, however, the lease cannot be drawn up until permission for the establishment of the bank has been received from the Comptroller of the Currency. On the basis of our previous meetings, I will hold space open for you until such time as your bank will be approved by the Comptroller of the Currency, which I am hopeful you will be able to secure.

Very truly yours,

REALBON CORPORATION

H. E. Boys
Vice President

HEB:sj